

**ADMINISTRATIVE SCHOOL DISTRICT NO. 1
(BEND – LA PINE SCHOOLS)
DESCHUTES COUNTY, OREGON**

520 NW Wall St
Bend, OR 97703



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2017

Prepared by the Business Office
Brad Henry – Chief Operations & Financial Officer

Administrative School District No. 1
Deschutes County, Oregon
Financial Statements
Table of Contents

TABLE OF CONTENTS	i
--------------------------------	----------

INTRODUCTORY SECTION

Letter of Transmittal	iv
ASBO Notification of Award for Excellence in Financial Reporting	x
GFOA Certificate of Excellence in Financial Reporting	xi
Organizational Chart	xii
Principal Officials	xiii

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
------------------------------------	---

MANAGEMENT'S DISCUSSION AND ANALYSIS	4
--------------------------------------------	---

BASIC FINANCIAL STATEMENTS

Statement of Net Position	18
Statement of Activities	19
Balance Sheet Governmental Funds	20
Reconciliation of Governmental Funds	
Balance Sheet to Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in	
Fund Balances Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures	
and Changes in Fund Balance of Governmental Funds	
to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund	
Balance Budget to Actual – General Fund and	
Special Revenue Fund	24
Statement of Net Position Fiduciary Fund – Private Purpose Trust Fund	26
Statement of Changes in Net Position Fiduciary Fund – Private Purpose Trust Fund	27
Notes to Financial Statements	28

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress and Employer Contributions - OPEB	56
Schedule of the Proportionate Share of the Net Pension Liability for PERS	57
Schedule of Employer Contributions for PERS	58

SUPPLEMENTARY INFORMATION

Description of Fund Types	59
Combining Schedule of Assets, Liabilities and Fund Balance	
General Fund Sub Funds	
(GAAP Basis)	60

Administrative School District No. 1
Deschutes County, Oregon
Financial Statements
Table of Contents

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund Sub- Funds (GAAP Basis) -----	62
---------------------------------------------------------------------------------------------------------------------------	----

BUDGETARY COMPARISONS

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget to Actual – General Fund	
Operations Sub-Fund -----	64
Athletics and Activities Sub Fund -----	65
Instructional Materials Sub Fund -----	66
Transportation Equipment Sub Fund -----	67
Print Shop Equipment Sub Fund -----	68
Facility Usage Sub Fund -----	69
Technology Reserve Sub Fund -----	70
Maintenance Replacement Sub Fund -----	71
Insurance Reserve Sub Fund -----	72
Debt Service Fund -----	73
Capital Projects Fund -----	74
Private Purpose Trust Fund -----	75

OTHER FINANCIAL SCHEDULES

Schedule of Future Debt Service by Issue – Bond Principal and Interest-----	76
-----------------------------------------------------------------------------	----

STATISTICAL SECTION

Statistical Section Contents -----	78
Net Position by Component – Last Ten Fiscal Years -----	79
Changes in Net Position – Last Ten Fiscal Years-----	81
Fund Balances of Governmental Funds - Last Ten Fiscal Years-----	83
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years-----	85
Assessed Value and Estimated Value of Taxable Property in Deschutes County - Last Ten Fiscal Years-----	87
Property Tax Rates – All Direct and Overlapping Governments - Last Ten Fiscal Years-----	89
Principal Taxpayers – Deschutes County – Current Year and Nine Years Ago -----	90
Property Tax Levies and Collections – Levies for Operations and Debt Service - Last Ten Fiscal Years -----	91
Computation of Direct and Overlapping Debt -----	92
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years -----	93
Legal Debt Margin Information – Last Ten Fiscal Years-----	94
Ratio of Net Bonded Debt to Real Market Value and Net Bonded Debt per Capita – Last Ten Fiscal Years-----	96

Administrative School District No. 1
Deschutes County, Oregon
Financial Statements
Table of Contents

Demographic and Economic Statistics – Last Ten Fiscal Years-----	97
Ten Largest Employers – Current Year and Nine Years Ago -----	98
Full-time Equivalent Employees by Function – Last Ten Fiscal Years -----	99
Operating Indicators by Function – Last Ten Fiscal Years-----	101
Capital Asset Statistics by Function – Last Ten Fiscal Years -----	103
School Building Statistics with Enrollment Information-----	105

OTHER INFORMATION

SCHEDULES REQUIRED BY OREGON DEPARTMENT OF EDUCATION

Schedule of Detailed Revenues and Expenditures – (Budgetary Basis) - Actual and Budget	
Schedule of Revenues – All Funds -----	106
General Fund-----	108
Special Revenue Fund-----	110
Debt Service Fund -----	112
Capital Projects Fund-----	114
Trust and Agency Fund -----	116
Supplemental information as required by Oregon State Department of Education-----	118

INDEPENDENT AUDITORS' REPORT REQUIRED BY STATE REGULATIONS-----	119
-----------------------------------------------------------------------------	------------

GRANT COMPLIANCE REVIEW SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> -----	121
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance -----	123
Schedule of Expenditures of Federal Awards -----	125
Notes to Schedule of Expenditures of Federal Awards -----	126
Schedule of Findings and Questioned Cost -----	127

INTRODUCTORY SECTION



**Central School, built in 1905
Originally a grade school, was destroyed by fire in 1937.**

November 26, 2017

Board of Directors and Citizens of Deschutes County
Administrative School District No. 1 (Bend-La Pine Schools)
Deschutes County
Bend, Oregon 97703

The Comprehensive Annual Financial Report for Administrative School District No. 1, Deschutes County, Oregon (District), for the year ended June 30, 2017, is presented to the Board of Directors for distribution to those responsible for, and concerned with, the operation of the District. We encourage readers to consider the information presented here in conjunction with additional information provided in the Management Discussion and Analysis starting on page 4 of this report.

This report was prepared by the Business Office. We assume full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that we have established for this purpose. This report is submitted in accordance with the provisions of Oregon's Municipal Audit Law.

District Profile

The District was formed in 1961 as the result of an election that consolidated five school districts. The consolidation provided increased instructional services to the students through more efficient management of available resources. We are located in the center of the state, approximately 160 miles southeast of Portland, and 130 miles east of our state capital, Salem. We are Oregon's fifth largest school district, enrolling approximately 18,000 pupils in grades kindergarten through 12 during fiscal year 2016-17. We provide many programs that fall under the headings of general education, special education and alternative education. Many of our school buildings have been constructed in the last twenty years, but we also utilize buildings constructed as far back as 1918.

We are an independent entity, with a Board of Directors composed of seven elected members. All management staff members are hired by the School Board. In 2016-17, we employed approximately 1,934 permanent staff including 995 teachers, counselors and licensed specialists, and 855 support staff, such as instructional assistants, secretaries, clerks and various professional or technical positions. During the 2016-17 fiscal year, we operated with a management team of 84 administrators and supervisors, including the Superintendent.

The School Board is the governing body, and as such is exclusively responsible for its decisions and is accountable for the decisions it makes. The latitude afforded under state law allows the School Board to significantly influence operations. This authority includes, but is not limited to,

adoption and appropriation of the budget, control over all assets, negotiating collective bargaining agreements, short term borrowing, and contracting and developing the programs of the District.

We budget appropriations in four governmental funds on an annual basis. These funds are: General Fund, Special Revenue Fund, Debt Service Fund, and Capital Projects Fund. The legal level of appropriations is at the fund and major function level, consistent with Oregon Budget Law.

Local Economy

We are located in Deschutes County, in Central Oregon east of the Cascade Range. Deschutes County is the most populous county in the eastern part of the state with a 2015 population of approximately 176,600 people. Because of its varied topography, the County attracts many tourists, and one of its major industries is recreation. Mount Bachelor is a major ski area, and the surrounding mountains and lakes provide recreation for summer tourists. The heavily forested Cascades support lumber and wood products industries, while the major industries in the central and eastern parts of the county are agriculture and livestock. In recent years, the region's health care presence has grown significantly.

In fiscal year 2016-17, the taxable assessed value of property in Deschutes County increased by approximately 5.7 percent. The area's economic base has diversified significantly since 1980, when the region was known for its wood products. Though the region still maintains a certain level of forest products related companies, it is experiencing growth in the tourism and service industries. With the opening of OSU (Oregon State University) Cascade new four-year campus in the fall of 2016, the area's economic base continues to diversify. The top employers in the area are St. Charles Medical Center, a regional health service organization, Bend-La Pine Schools, Deschutes County, Sunriver Resort and Les Schwab.

Employment Outlook for Central Oregon

Employment statistics in Central Oregon are expected to closely follow that of the state over the next ten years. Over the last ten years the area has experienced employment growth in the housing and related markets, followed by higher than average unemployment related to the economic downturn. According to State Employment Department statistics, the outlook for the next ten years shows moderate growth in employment for the region.

Population

Since the early 1990's, Deschutes County has experienced the most rapid population growth of any county in Oregon. More recent estimates, as referenced above, indicate a current population estimate of 176,600. Liveability continues to be a factor that draws new residents and businesses to Deschutes County. The term "liveability" includes such aspects as natural beauty, recreational opportunities, climate, personal security, and cost of living, among others. The central Oregon region has been featured recently in national magazines as a top pick in the nation to live and work. In 2016, the housing market continues the strong growth and home price is among the largest increase in the nation. The region has seen job gains from construction, tourist and service industry.

Recent History of State Support

Generally, Oregon public schools receive funding from two primary sources, local property taxes and a state school support grant, with the latter predominately from income taxes. The state's school support formula recognizes local property taxes as an offset to the payment due from the state.

Public schools, together with education service districts and community colleges have had an aggregate maximum property tax rate for operations of \$5.00 per \$1,000 of real market valuation since the passage of Ballot Measure 5 in 1990. On May 20, 1997, Oregon voters approved Ballot Measure 50, which limited the annual increase in taxable property values. Under Measure 50, the legislature is required to continue to fund revenue lost by schools due to property tax limitations and established a permanent tax rate of \$4.7641 per \$1,000 of assessed value on property for our district.

Since Ballot Measure 5 passed in 1990, school districts across Oregon rely upon the state for the majority of their financing. Even though districts collect revenue locally through the property tax, school funding is essentially equalized through the allocations under the state school fund, which accounts for more than 50% of the District's general fund revenue. The State of Oregon is more dependent upon a single revenue source, state income tax, than any other state in the country. So the financial outlook for the District is tied closely to the condition of the Oregon economy. The second most important source of revenue for the District, and the source of funds to pay its capital bonds, is local property taxes. Real estate values and associated assessed values of real property are the most important factor in the strength of this revenue source.

Ending of the 2015-17 biennium, K12 education was funded at \$7.38 billion with a 49.2/50.8 split vs. a traditional 49/51 split. With full day kindergarten and opening of two new schools, funding has returned to the pre- 2009 recession staffing and programming levels. For the 2017-19 biennium, K12 education funded at \$7.8 billion with a 49/51 split. The District's 2017-19 PERS employer rates are set to increase to 17.99% for Tier I and Tier II employees, and 12.66% for OPSRP employees. This increase is due to a court ruling on SB 822, changes to actuarial assumptions, and unfavourable valuations and earnings.

Major Initiatives

With higher than projected enrollment and enrollment changes by location, we purchased modular classrooms to provide instruction spaces. Based on our sites and facilities committee's research and recommendation report, the District will need to build seven more schools in the next twenty years to accommodate enrollment growth. The report can be accessed at: https://www.bend.k12.or.us/application/files/9014/8167/3488/Sites_and_Facilities_2016_Final_report.pdf In May 2017, voters approved a general obligation bond issue in the amount of \$268 million for the construction of a new high school, elementary school, and other capital projects.

Long-term Financial Planning

We forecast revenues, expenditures and fund balance in a five-year rolling plan. Revenue forecasts consider historical increases in formula revenue from the State with adjustments for current information, as well as increases tied to the consumer price index for other types of revenues. Forecasts for salary expenditures consider contracts with employee associations while forecasts for non-salary items consider the increase in the consumer prices index as well as other external factors. The long-term impact of adding additional schools is also considered.

Because approximately one-half of our operational funding is derived from state income tax, our Board of Directors instituted an executive limit that prohibits management from proposing an ending fund balance less than five percent of total revenue in the general fund operations. The FY2017-18 adopted budget includes a budgeted ending fund balance equal to 4.5 percent of resources, recognizing the impact of expenditures for the severe winter storm. The Board and Budget Committee decided that replenishing the ending fund balance to the benchmark of 5 percent could be accomplished over three years.

Relevant Financial Policies and Information

Fiscal Year

The fiscal year commences on July 1 and ends on June 30 of the following year.

Accounting Policies

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they are "measurable" and "available." "Measurable" means the amount of the transaction can be determined; "available" means collectible within the current period or soon enough hereafter to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Interfund transactions and certain compensated absences, claims, and judgments, which are recognized as expenditures because they will be liquidated with expendable financial resources. The accrual and modified accrual basis of accounting as utilized by the District are in accordance with Generally Accepted Accounting Principles.

Internal Accounting Controls

The accounting system incorporates reasonable safeguards for the assets of the District and the reliability of the financial records. Internal controls are designed to provide an adequate safeguard of District assets, recognizing that the cost of controls should not exceed the benefits derived. The management system recognizes the significance of internal controls that are incorporated in the accounting system. We believe that the internal accounting controls adequately safeguard the assets, and provide reasonable assurance of proper recording of all financial transactions.

Budgetary Control

The District is required by the State of Oregon to adopt an annual budget for all funds subject to the requirements of Local Budget Law as outlined in the Oregon Revised Statutes 294.305 through 294.565, inclusive. The Oregon Local Budget Law requires the appointment of a budget committee to review and approve the budget. The budget committee consists of the seven members of the Board of Directors and seven electors of the District who are appointed by the Board of Directors. The administration proposes a budget to the budget committee, and the budget committee may modify or approve the proposed budget. A summary of the approved budget, together with a notice of public hearing, is published in a newspaper having general circulation in the District. A public hearing is held to receive comments from the public concerning the approved budget. The Board of Directors adopts the budget, makes appropriations, and levies taxes after the public hearing and before the beginning of the year for which the budget has been prepared. After adoption, the budget may be revised vi through procedures specified in State statute and Board policy.

Charter School

Oregon statute provides state funding for charter schools that flows through the district for

schools that local boards of education have granted a charter. The District sponsors two charter schools; The Bend International School opened its charter during 2015-16 school year with an enrollment of 134 students in grades K-8 and in 2016-17, projected enrolment was 167 students. The board approved Desert Sky Montessori in September 2016 and opened its charter during 2017-18 school year. The projected enrollment of The Desert Sky Montessori School is 108 in grades K-5.

Debt Administration

We have been very active in managing our debt over the last 30 years. Many general obligation issues have been “refunded” (refinanced), saving millions for taxpayers by locking in lower interest rates and shortening the maturity of the bonds. In April 2016 the remaining \$4 million of the 2013 general obligation bond was issued. In August 2017, the District issued \$175 million of the 2017 general obligation bond.

In November 2002, we joined a state-wide consortium and issued \$40.9 million of tax pension bonds to finance our estimated 2001 unfunded actuarial liability with the Oregon Public Employees Retirement System (PERS). In April 2003, we participated in the second state-wide effort to refund a portion of our 2002 unfunded actuarial liability by issuing \$25.3 million of tax pension bonds. And in February 2004 we participated in the third state-wide effort to refund a portion of our 2003 unfunded actuarial liability by issuing \$5.9 million of tax pension bonds. As a result of these pension bond issuances our pension related expenditures will less for the foreseeable future.

Debt limit is established by Oregon law, specifically ORS 328.245(1) and (2), at 7.95 percent of the real market value of property within the taxing district's boundary. At June 30, 2017 our net bonded debt is \$1,647,014,026 less than the statutory debt limit.

Other Information

Independent Audit

The provisions of Oregon law, specifically ORS 297.425 through 297.555 require that an independent audit be made of all public school district funds within six months following the close of each fiscal year. The auditors, selected by the Board of Directors, have completed their audit of our financial statements and their opinion is included in the Financial Section of this report.

Additional audit requirements of the federal and state governments are included in this report. Please refer to the Auditor's Comments Section for disclosures and comments required by the Minimum Standards for Audits of Oregon Municipal Corporations, and refer to the Grant Compliance Review Section for comments relating to general grant compliance required by the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996.

Awards

ASBO Certificate of Excellence in Financial Reporting

The Association of School Business Officials International (ASBO) awarded its Certificate of Excellence in Financial Reporting to the District for our Comprehensive Annual Financial Report for the year ended June 30, 2016. Receiving this award is recognition that we have met the highest standards of excellence in school financial reporting as adopted by the Association of School Business Officials International.

We have received a Certificate of Excellence for the last thirty-two years. We believe our current report continues to conform to the Certificate of excellence program requirements, and we are submitting it to ASBO for review.

GFOA Certificate of Achievement of Excellence

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for our Comprehensive Annual Financial Report for the year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We have received a Certificate of Achievement for the last thirty-three years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for review.

Acknowledgments

We wish to express our appreciation to the entire Business Department staff for their efforts and contributions to our Comprehensive Annual Financial Report. We also recognize the members of the Board of Directors for their expectations of excellence, and their dedication to our financial operations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brad Henry", with a stylized flourish at the end.

Brad Henry
Chief Operating and Financial Officer



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

**Administrative School District No. 1
Deschutes County, Oregon**

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'.

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Administrative School District No. 1

(Bend - La Pine Schools)

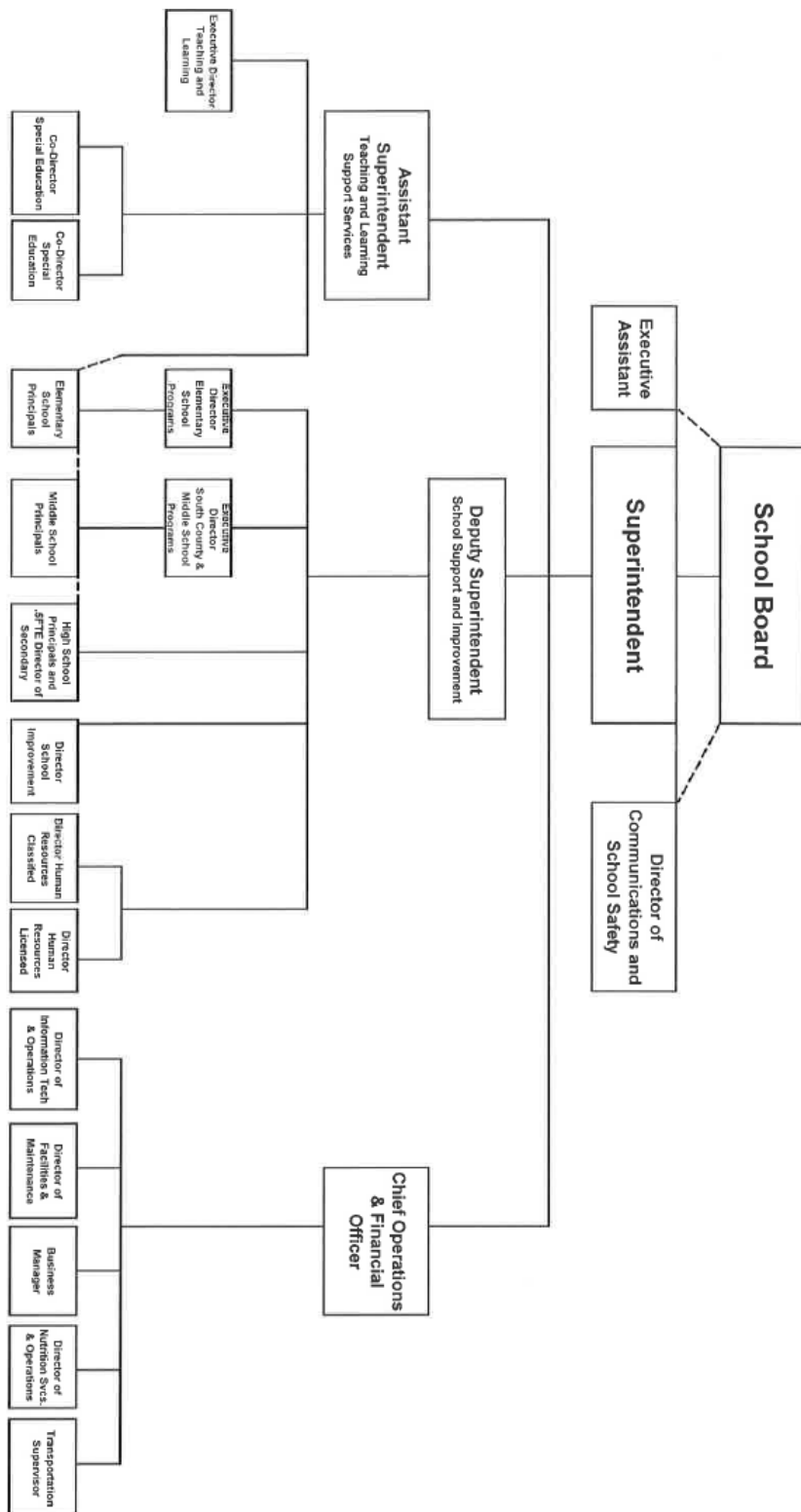
Deschutes County, Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

**Administrative School District No. 1
Deschutes County, Oregon
Organizational Chart
June 30, 2017**



**Administrative School District No. 1
Deschutes County, Oregon
Principal Officials
June 30, 2017**

BOARD OF DIRECTORS

Andy High - Chair Bend, Oregon	June 30, 2019
Cheri Helt Bend, Oregon	June 30, 2021
Ron Gallinat Bend, Oregon	June 30, 2019
Peggy Kinkade Bend, Oregon	June 30, 2019
Dr. Stuart Young La Pine, Oregon	June 30, 2019
Julie Craig Bend, Oregon	June 30, 2021
Carrie Douglass Bend, Oregon	June 30, 2021

ADMINISTRATIVE STAFF

Shay Mikalson	Superintendent
Brad Henry	Chief Operations and Financial Officer

The above members of the Board and administrative staff can be reached by mail at 520 NW Wall Street,
Bend, OR. 97703.

FINANCIAL SECTION



**Reid School, built in 1914
Currently houses the Deschutes Historical Center.**



To the Board of Directors
Administrative School District No. 1
Deschutes County, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Administrative School District No. 1, Deschutes County, Oregon (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress - OPEB, the Schedule of Employer Contributions - OPEB, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Supplementary Information as listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section, Statistical Section and Other Information Section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

The District's 2016 financial statements were audited by us and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2016. The summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2017 on our consideration of the District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 26, 2017, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Brenda Bartlett, CPA
SGA Certified Public Accountants and Consultants, LLP
Bend, Oregon

November 26, 2017

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Management's Discussion and Analysis

**Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017**

This section of the Administrative School District No. 1, Deschutes County, Oregon (the District), Comprehensive Annual Financial Report presents management's discussion and analysis (MD&A) of the District's financial performance during the year ended June 30, 2017. The MD&A is intended to provide an analysis directly related to the District's financial statements, which follow the MD&A in this report. We encourage readers to consider the information presented here in conjunction with information provided in the Transmittal Letter found on pages iv – ix of this report.

Financial Highlights

Key financial highlights for FY2016-17 are as follows:

- The District's net position of governmental activities decreased by \$5.6 million which represents a 20 percent decrease from FY2015-16.
- For governmental activities general revenues accounted for \$185 million, 89 percent of total revenues of \$209 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for almost \$24 million, 11 percent of total revenues.
- The District had \$215 million in expenses related to governmental activities; only \$24 million was offset by program specific charges for services, grants or contributions. General revenues of \$185 were adequate to provide for the governmental activities of the District.
- The District's net pension liability increased by \$88.5 million.
- At the end of FY2016-17, the District's governmental funds reported a combined fund balance of \$29.8 million, a decrease of \$11.5 million from FY2015-16.

Using the Comprehensive Annual Report (CAFR)

This CAFR consists of a series of financial statements and accompanying notes to the financial statements. These statements are organized to provide the reader with a telescoping financial view of the district starting with the whole entity and flowing to a more detailed financial reporting by fund.

The financial statements begin the Statement of Net Position and Statement of Activities. These statements provide information about the financial activities of District as a whole entity and present an aggregate view of the District's finances based a longer-term perspective.

The Statement of Net Position and Statement of Activities report the District's net position and changes in them. These statements incorporate Governmental Accounting Standards Board (GASB) Statements No. 68 "Accounting and Financial Reporting for Pensions" and No.

**Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017**

71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68".

The financial statements then proceed to provide an increasingly detailed information about specific financial activities within the fund financial statements. For governmental funds, (General, Special Revenue, Debt Service, and Capital Projects) these statements tell how services were financed in the short-term as well as what remains for future spending.

Reporting the District as Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities are designed to provide readers with a broad overview of the District's financial position. These statements include all assets, deferred outflows of resources, liabilities, deferred inflow of resources, revenues, and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or disbursed. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or weakening.

These two statements report the District's net position and changes in net position. The change in net position provides the reader a benchmark to assist in determining whether, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Oregon, enrollment growth, facility conditions, required education programs and other factors.

The governmental activities reported in the Statement of Activities include instruction, support services, enterprise and community services and interest on long-term liabilities. The statement of net position can be found on page 18 and the statement of activities can be found on page 19 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds appears on the fund financial statements beginning with the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance. The District uses different funds to account for its diverse financial transactions. The District's major funds are the general fund, special revenue fund, debt service fund and capital projects fund. These statements are reported by individual fund and not the District as a whole entity.

**Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017**

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance education programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements begin on page 20 and the budgetary statement for the general fund is found on page 24.

Fiduciary Fund

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 26 and 27. These activities are excluded from the District's other financial statements because the assets cannot legally be utilized by the District to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 30 of this report.

GASB 68 Implementation and Implications

In FY2014-15 the District adopted GASB 68, "Accounting and Financial Reporting for Pension – an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. Readers of this report may gain a clearer understanding of the District's financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board statements are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. GASB 27 used a funding approach to account for pension costs and this approach limited pension costs to contributions annually required by law, which may or may not have been sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Oregon's PERS pension system requires additional explanations to better understand the information presented in these statements.

Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017

Under GASB 68, the net pension liability equals the District's proportionate share of PERS collective:

1. Present value of estimated future pension benefits attributable to active and inactive employee's past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is the employee is trading labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However the District is not responsible for certain key factors affecting the balance of the liability. In the Oregon PERS plan, the employee shares the obligation of funding pension benefits with the employer. The employee rate is established by State statute and the twelve-member board of trustees establishes the employer rate.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave) are satisfied through paid-time off or termination payments. There is no repayment schedule for the net pension liability. Changes in benefits, contribution rates, and return on investments affect the balance of the net pension liability are outside the control of the District. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statutes does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, the pension liability is separately identified within the long-term liability section of the statement of net position.

Government-Wide Financial Analysis

Over time, net position may serve as a useful indicator of a government's financial position. At June 30, 2017 the District's assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$22.2 million.

A portion of the District's net position reflects its investment in capital assets less depreciation and any outstanding related debt used to acquire those assets. At June 30, 2017 this portion of the net is positive which indicates the District has \$127 million more in capital assets, net of depreciation, than associated debt. The District uses capital assets to provide services, consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources required to pay the debt must be provided from other sources, since the capital assets are not usually used to liquidate these liabilities.

Capital assets, which consist of land, buildings, land improvements, construction in progress, vehicles, and equipment, represent about 87 percent of total assets. This

Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017

percentage increased from FY2015-16, primarily from the construction of facilities and other technology projects started or completed in FY2016-17. Information on capital asset activities is presented on page 37.

The District's largest liability accounting for 58 percent of total liabilities is the long-term portion of general obligation bonds and other debt. The Net Pension Liability is the next largest liability and accounts for approximately 33.8 percent of total liabilities. Together the long-term debt and net pension liability represent 91.8 percent of total liabilities. Current liabilities, represent about 8.2 percent of total liabilities, consist of payables on accounts, benefits, and the current portion of long-term debt. Information on long-term debt activity is presented on pages 38-41.

The District as a Whole

The statement of net position provides the perspective of the District as whole. The following table provides a summary of the District's net position for June 30, 2017 and June 30, 2016.

	Governmental Activities		Change
	2017	2016	
Current and other assets	45,005,000	56,035,000	(11,030,000)
Capital assets	318,782,000	314,405,000	4,377,000
Total assets	363,787,000	370,440,000	(6,653,000)
Deferred outflow of resources	82,588,000	22,641,000	59,947,000
Current liabilities	34,662,000	33,504,000	1,158,000
Long-term liabilities	388,357,000	320,124,000	68,233,000
Total liabilities	423,019,000	353,628,000	69,391,000
Pension deferrals - inflows	1,181,000	11,621,000	(10,440,000)
Net Position			
Net investment in capital assets	127,031,000	118,404,000	8,628,000
Restricted	15,040,000	25,671,000	(10,630,000)
Unrestricted	(119,896,000)	(116,242,000)	(3,654,000)
Total net position	\$ 22,175,000	\$ 27,833,000	\$ (5,656,000)
<i>Rounded to nearest thousand</i>			

Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017

Governmental activities

Net position decreased by \$5.7 million in FY2016-17 and this represents a decrease of about 20 percent from FY2015-16. The key elements of the change in our net position for the year ended June 30, 2016 as compared to the prior year are as follows:

- Net investments in capital assets increased by \$8.6 million primarily from the construction and renovation of facilities funded from bond proceeds.
- Payment on long-term debt from property tax revenues increased net position by \$20.2 million.
- The net effect of pension related activities, net pension liability, deferred outflows of pension deferrals, and deferred inflows of pension deferrals was a decrease in net position by \$16.8 million.

The Statement of Activities shows the cost of program services and the charges for services and operating grants and contributions offsetting those services. The following table shows the changes in net position for governmental activities between FY2016-17 and FY2015-16.

Changes in Net Position, Fiscal Year Ended June 30			
	Governmental Activities		
	2017	2016	Change
Revenues			
Programs revenues			
Charges for services	\$ 3,944,000	\$ 6,924,000	\$ (2,980,000)
Operating grants and contributions	18,776,000	18,203,000	573,000
Capital grants and contributions	713,000	662,000	51,000
General revenues			
Property taxes	93,329,000	88,889,000	4,440,000
Federal aid not restricted to specific purposes	-	242,000	(242,000)
State aid not restricted to specific purposes	84,340,000	82,316,000	2,024,000
Intermediate aid not restricted to specific purposes	2,497,000	2,198,000	299,000
Earnings on investments	610,000	390,000	220,000
Other local revenue	4,618,000	2,639,000	1,979,000
Total Revenues	208,827,000	202,463,000	6,364,000
Expenses			
Instruction	107,540,000	105,530,000	2,010,000
Support Services	86,545,000	110,508,000	(23,963,000)
Enterprise and Community Services	7,984,000	8,056,000	(72,000)
Interest on long-term liabilities	12,416,000	12,304,000	112,000
Total Expenses	214,485,000	236,398,000	(21,913,000)
Changes in net position	(5,658,000)	(33,935,000)	28,277,000
Net position July 1	27,833,000	61,768,000	(33,935,000)
Net position June 30	\$ 22,175,000	\$ 27,833,000	\$ (5,658,000)

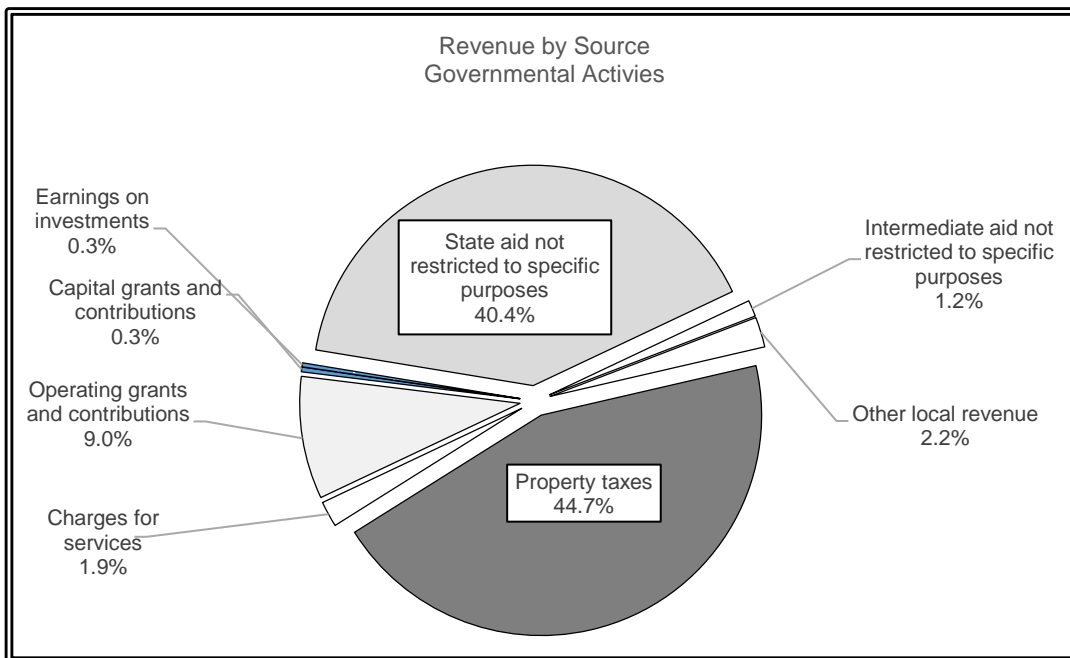
Rounded to nearest thousand

**Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017**

Governmental Activities

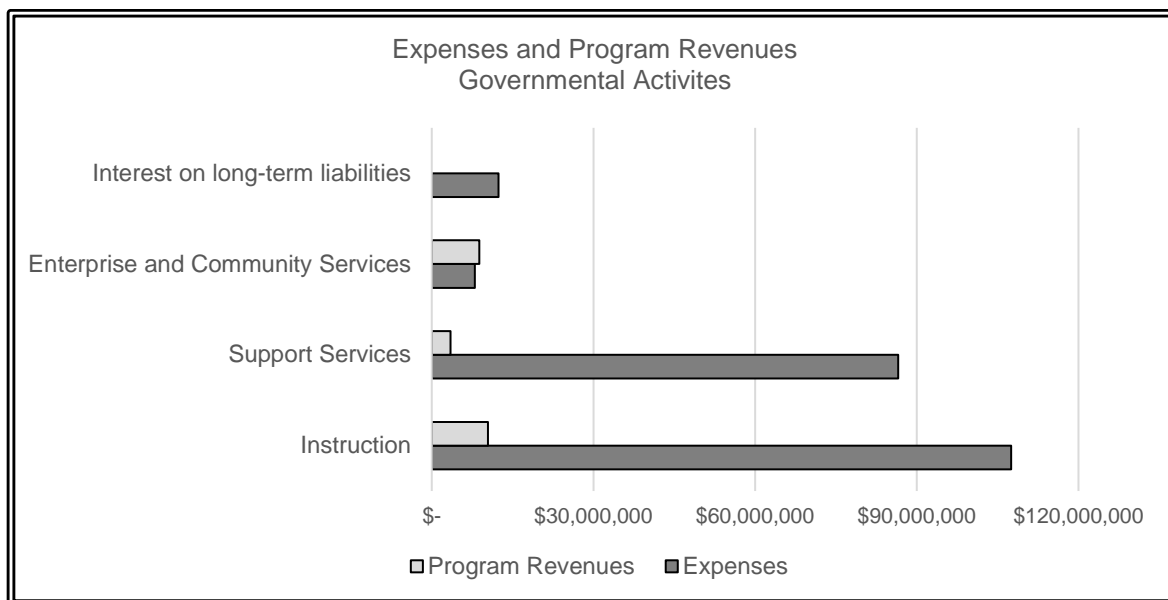
Total governmental expenses of \$214 million were offset by program revenues of \$23.4 million and general revenues of \$185.4 million. Program revenues supported 11 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and state aid. Together these sources total \$177.7 million and represent 85 percent of total governmental revenue.



Overall expenses decreased by \$21.9 million or 9 percent. This decrease was primarily the result of a decrease in the net pension expense from \$53.6 million in FY2015-16 to \$25.7 million in FY2016-17. Changes in benefits, contribution rates, and return on investments affect the net pension expense are outside the control of the District.

Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 20) reported a FY2016-17 combined fund balance of \$29.8 million, a decrease of \$11.5 million compared with the FY2015-16 combined fund balance of \$41.3 million. The following schedule shows the fund balance and change in fund balance as of June 30, 2017 and 2016.

	Fund Balance June 30, 2017	Fund Balance June 30, 2016	Change
General	11,620,000	13,530,000	(1,910,000)
Special Revenue	7,526,000	6,447,000	1,079,000
Debt Service	1,937,000	2,510,000	(573,000)
Capital Projects	8,764,000	18,895,000	(10,131,000)
Total fund balances	<u>29,847,000</u>	<u>41,382,000</u>	<u>(11,535,000)</u>

Rounded to nearest thousand

Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017

General Fund

The District's general fund balance decreased by \$1.9 million. The following table summarizes the revenues and expenditures for FY2016-17 and FY2015-16.

	FY2016-17	FY2015-16	Percentage change
Revenues			
Property taxes	\$ 71,058,000	\$ 67,671,000	5.01%
Tuition	3,000	8,000	-62.50%
Investment earnings	426,000	239,000	78.24%
Other local sources	4,135,000	4,768,000	-13.28%
Intermediate sources	2,433,000	2,198,000	10.69%
State sources	78,919,000	76,603,000	3.02%
Federal grant sources	79,000	291,000	-72.85%
Total revenues	\$ 157,053,000	\$ 151,778,000	3.48%
Expenditures by function			
Instruction	\$ 95,230,000	\$ 92,287,000	3.19%
Support services	60,016,000	55,456,000	8.22%
Community services	263,000	268,000	-1.87%
Capital outlay	2,751,000	1,336,000	105.91%
Debt service	704,000	704,000	0.00%
Total expenditures by function	\$ 158,964,000	\$ 150,051,000	5.94%
<i>Rounded to nearest thousand</i>			

Property taxes increased as a result of an increase in assessed valuation and development within the District. The decrease in other local sources reflects a decline in print shop revenues reflecting the District's migration to digital instructional materials. The increase in State sources is a result of enrollment growth and more funding in the second year of the state's biennium. The increase in investment earnings is due to higher interest rates.

The largest expenditure line items, instruction and support services, increased over FY2015-16. Instruction expenditures increased due to enrollment growth and contractual obligations with employees. The increase in support services was driven by additional costs associated with the severe winter storms. The increase in capital outlay was propelled by the construction of modular classrooms to increase capacity to accommodate growth in enrollment.

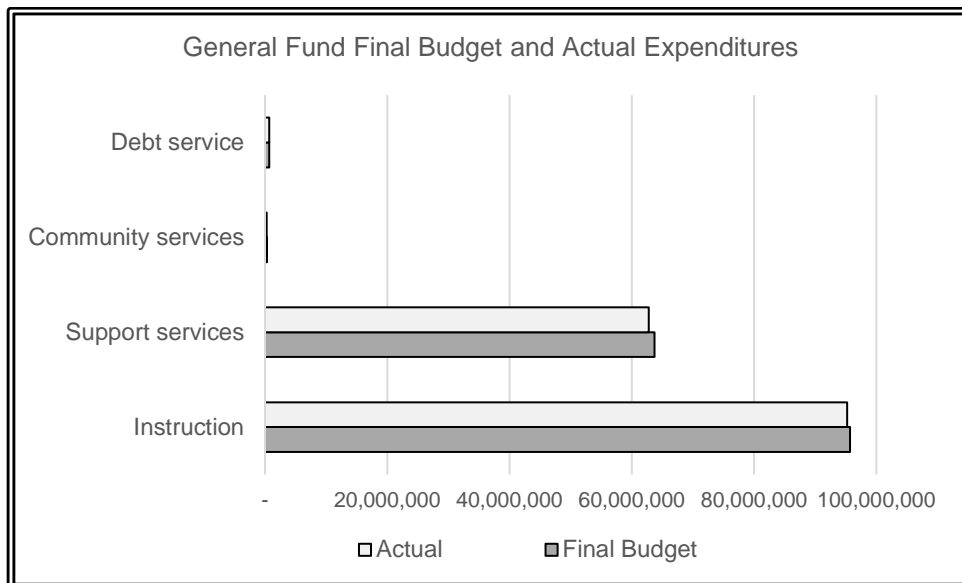
**Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017**

General Fund Budgeting Highlights

The District's budget is prepared according to Oregon budget law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of FY2016-17 the adopted budget and final budget resources were \$167.2 million. Actual resources for FY2016-17 were \$170.5 million. Actual revenues and other resources were \$3.3 million more than budgeted amounts. The variances in budgeted resources were primarily the result of increased funding for enrollment growth from the state and a larger than expected beginning fund balance.

General fund adopted appropriations of \$158.5 million were increased to \$160.4 million in the final budget. The increase in the final budget was to cover additional costs related to the severe winter weather. The actual budget basis expenditures for FY2016-17 totaled \$159.0 million, which was \$1.4 million lower than the final budget appropriations. The variances were primarily caused by lower than anticipated support service costs.



Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017

Special Revenue Fund

The District's special revenue fund balance increased by \$1.1 million. The following table summarizes the revenues and expenditures for FY2016-17 and FY2015-16.

	FY2016-17	FY2015-16	Percentage change
Revenues			
Investment earnings	\$ 19,000	\$ 10,000	90.00%
Other local sources	8,841,000	7,834,000	12.85%
Intermediate sources	432,000	444,000	-2.70%
State sources	604,000	2,561,000	-76.42%
Federal grant sources	11,340,000	12,321,000	-7.96%
Total revenues	\$ 21,236,000	\$ 23,170,000	-8.35%
Expenditures by function			
Instruction	8,599,000	9,513,000	-9.61%
Support services	3,027,000	3,558,000	-14.92%
Community services	8,229,000	8,277,000	-0.58%
Capital outlay	87,000	993,000	-91.24%
Total expenditures by function	\$ 19,942,000	\$ 22,341,000	-10.74%
<i>Rounded to nearest thousand</i>			

The increase in other local sources is from Medicare services. The decrease in state sources reflects the receipt of a one-time facilities grant in FY2015-16 and the decrease in federal grant sources reflects the end of the teacher incentive funding in FY2015-16.

The decrease in instruction and support services expenditures are related to the end of teacher incentive funding and the one-time facilities grant in FY2015-16. The decrease in capital outlay reflects furnishing Silver Rail Elementary and Pacific Crest Middle School in FY2015-16.

Debt Service Fund

The debt service fund had \$29.2 million in revenues and \$29.7 million in expenditures for regularly scheduled debt service payments. In FY2016-17 the debt service fund balance decreased by \$.5 million from \$2.5 million to \$2.0 million.

Debt Administration

At June 30, 2017, the District had four outstanding bond issues, four limited tax pension bonds, two notes payable and one full faith and credit bond.

Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017

In August 2017, Moody's confirmed the Districts Aa3 bond rating in conjunction with the planned issuance of the new general obligation bonds. State statutes limit the amount of general obligation debt a school district may issue to 7.95 percent of its total real market valuation and the District is well within this limit. More detailed information on long-term debt activity can be found in the notes to the basic financial statements beginning on page 38, note III E. The following table summarizes the debt outstanding at June 30, 2017 and 2016.

	Governmental Activities	
	FY2016-17	FY2015-16
General obligation bonds	\$ 175,635,000	\$ 190,155,000
Limited tax pension obligation bonds	64,593,000	67,185,000
Full faith and credit bonds	3,920,000	4,500,000
Notes payable	2,322,000	2,950,000
Total outstanding debt	\$ 246,470,000	\$ 264,790,000

Rounded to nearest thousand

Capital Projects Fund

The District's capital projects fund balance decreased by \$10.3 million. The following table summarizes the revenues and expenditures for FY2016-17 and FY2015-16.

	FY2016-17	FY2015-16	Percentage change
Revenues			
Investment earnings	\$ 64,000	\$ 75,000	-14.67%
Other local sources	2,091,000	124,000	1586.29%
Total revenues	\$ 2,155,000	\$ 199,000	982.91%
Expenditures			
Facilities acquisition and construction	\$ 727,000	\$ 817,000	-11.02%
Capital outlay	11,774,000	19,550,000	-39.77%
Total expenditures	\$ 12,501,000	\$ 20,367,000	-38.62%

Rounded to nearest thousand

The increase in other local sources is from a \$2.0 insurance advance to repair damages caused by the severe winter storms. The decrease in capital outlay reflects the winding down of construction activity from the 2013 general obligation bonds.

Total additions to capital assets in FY2016-17 was \$15.3 million and depreciation expense was \$11.0 million. The overall increase in capital assets was \$4.3 is primarily due to the construction of new buildings and renovations of existing facilities using

**Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017**

proceeds from the 2013 general obligation bond issue. See Note "D" in the basic financial statements for further details on the District's capital assets.

Economic Conditions and Outlook

According to the Oregon Office of Economic Analysis in the August 2017 Economic and Revenue Forecast Oregon's economy is largely tracking expectations of slower growth in a mature expansion. The state continues to see healthy job gains that are enough to keep pace with a growing population and hold down the unemployment rate. The August 2017 report also noted "All told, the current outlook for Oregon remains positive. The economy is expected to continue to improve. Even as Oregon is transitioning down to a more sustainable rate of growth, something closer to gains in the working - age population, job growth may surprise to the upside. Between now and the next recession, all of the good dynamics that are finally happening , like rising household incomes and falling poverty rates, should continue."

For a more local perspective in a recent presentation at the Bend Chamber of Commerce Economic Forecast Breakfast Damon Runberg, Central Oregon regional economist for the Oregon Employment Department, stated that "future growth in Central Oregon will be more incremental, however, because the region has already staged a "grand recovery". Runberg went on to share that Deschutes County posted the second-highest job growth out of 350 metro areas last year and the county's economic output, \$8.2 billion, was 22 percent higher than the previous peak.

Oregon legislators approved a \$8.2 billion State School Fund despite facing a state General Fund shortfall of \$1.4 billion for all current service spending. The total appropriation represents an 11.2 percent increase over the 2015-17 State School Fund, and it is comprised of \$7.68 billion in General Fund resources, \$452.29 million in lottery funds, \$63.1 million in marijuana taxes, and approximately \$67 million in other funds and timber funds. Notably, the State School Fund budget bill requires that 50 percent of the resources be allocated in each year of the biennium. In the past, the Legislature has required 49 percent expenditure in the first year of the biennium and 51 percent in the second year to account for rising costs. Legislators also allocated \$170 million for Measure 98 programs, adding flexibility for small districts and language that allows up to 15 percent of the funds to go into eighth-grade programs. Outdoor School programs created under Measure 99 received \$24 million.

The District's student enrollment increased by 500 students in FY2016-17 and for the first time in history, enrollment exceeded 18,000 students. Over the last five years enrollment has grown by 1,775 students since 2012 and for the past three decades, Bend-La Pine Schools' student population has grown by an average of 350 students each year. The growth in enrollment presents both challenges and opportunities. Currently half of the District's schools are near or above capacity and in the short-term the District is finding creative locations for temporary instructional spaces and bringing in temporary, modular classrooms to accommodate the growing student population. The District is plans to build a new high school and elementary school within the next four years.

**Administrative School District No. 1
Deschutes County, Oregon
Management's Discussion And Analysis
June 30, 2017**

In FY2016-17 the District negotiated new agreements with all of the employee groups. The support staff agreement was ratified by Oregon School Employees Association in September, 2017 with an effective date of July 1, 2017. The certified agreement was ratified by the Bend Education Association in June, 2017 with a July 1, 2017 effective date. Both agreements are for four year terms with reopeners for wages and benefits in 2019.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about the financial report or need additional information, contact the Finance Director at Administrative School District No 1 520 NW Wall Street, Bend, Oregon 97703.

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Basic Financial Statements

Administrative School District No. 1
Deschutes County, Oregon
Statement of Net Position
June 30, 2017, with Comparative Data

	Governmental Activities	
	2017	2016
Assets:		
Cash and investments	\$ 35,167,049	\$ 46,690,696
Receivables:		
Property taxes	2,886,035	2,731,808
Accounts and other receivables	4,797,588	5,225,891
Prepaid items	1,603,174	873,505
Inventories	551,468	513,207
Capital assets, net of depreciation		
Land	32,060,808	32,060,808
Construction in progress	12,614,275	2,817,456
Site improvements	12,965,435	13,640,874
Buildings and improvements	252,093,558	258,010,685
Vehicles and equipment	9,048,031	7,875,504
Total Assets	363,787,421	370,440,435
Deferred Outflow of Resources:		
Pension deferrals	73,649,989	12,402,584
Advanced refunding	8,937,886	10,237,942
Total Deferred Outflows of Resources	82,587,875	22,640,526
Liabilities		
Accounts payable	2,508,745	2,707,082
Accrued payroll and related charges	10,254,507	9,796,884
Accrued interest	411,219	466,506
Retainage payable	270,246	160,834
Claims and judgments due within one year	477,671	504,634
Long-term liabilities due within one year	21,706,119	19,868,164
Net pension liability	142,785,408	54,255,989
Claims and judgments due more than one year	12,282	19,316
Long-term liabilities due in more than one year	244,593,150	265,848,459
Total Liabilities	423,019,346	353,627,869
Deferred Inflows of Resources:		
Pension deferrals	1,180,763	11,621,054
Total Deferred Inflows of Resources	1,180,763	11,621,054
Net Position		
Net investment in capital assets	127,030,830	118,403,374
Restricted for:		
Transportation	117,423	904,822
Federal, state and local programs	4,220,911	3,360,335
Debt service	1,937,200	2,510,423
Capital projects	8,764,476	18,894,715
Unrestricted	(119,895,655)	(116,241,630)
Total Net Position	\$ 22,175,186	\$ 27,832,039

See notes to financial statements

Administrative School District No. 1
Deschutes County, Oregon
Statement of Activities
Year Ended June 30, 2017, with Comparative Data

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2017	2016
Governmental Activities						
Instruction						
Regular instruction	\$ 81,756,378	\$ 833,660	\$ 4,926,993	\$ -	\$ (75,995,725)	\$ (73,902,598)
Special programs including summer school	25,782,224	-	4,683,229	-	(21,098,995)	(18,785,492)
Total direct classroom services	107,538,602	833,660	9,610,222	-	(97,094,720)	(92,688,091)
Support Services						
Students	11,461,463	-	305,621	-	(11,155,842)	(10,660,567)
Instructional staff	6,243,837	-	1,764,912	-	(4,478,926)	(4,119,775)
General administration	746,070	-	-	-	(746,070)	(737,544)
School administration	10,450,139	-	74,878	-	(10,375,261)	(10,552,505)
Business, transportation and maintenance	50,234,992	926,544	331,672	713,223	(48,263,554)	(73,323,423)
Central activities	7,014,611	-	55,447	-	(6,959,164)	(6,249,396)
Supplemental retirement program	394,261	-	-	-	(394,261)	(506,798)
Total classroom support services	86,545,373	926,544	2,532,529	713,223	(82,373,077)	(106,150,008)
Enterprise and Community Services						
Food services	6,216,964	1,869,065	4,862,206	-	514,307	236,631
Other enterprise and community services	1,767,321	314,955	1,770,688	-	318,322	295,417
Total enterprise and community services	7,984,284	2,184,020	6,632,893	-	832,629	532,048
Unallocated interest expense	12,415,647	-	-	-	(12,415,647)	(12,303,647)
Total school district	\$ 214,483,906	\$ 3,944,223	\$ 18,775,645	\$ 713,223	\$ (191,050,816)	\$ (210,609,699)
General revenues:						
Property taxes levied for:						
General purposes					71,211,425	67,577,100
Debt service					22,117,524	21,311,889
Federal aid not restricted to specific purposes					-	241,959
State aid not restricted to specific purposes					84,339,881	82,315,733
Intermediate aid not restricted to specific purposes					2,497,079	2,198,068
Earnings on investments					609,750	389,721
Other local revenue					4,618,306	2,639,441
Total general revenues					185,393,965	176,673,911
Change in net position					(5,656,851)	(33,935,788)
Net position - beginning					27,832,037	61,767,827
Net position - ending					\$ 22,175,186	\$ 27,832,039

See notes to financial statements

Administrative School District No. 1
Deschutes County, Oregon
Balance Sheet
Governmental Funds
June 30, 2017, with Comparative Data

					Totals	
	General	Special Revenue	Debt Service	Capital Projects	2017	2016
Assets						
Cash and investments	\$ 20,697,324	\$ 3,648,648	\$ 1,786,354	\$ 9,034,722	\$ 35,167,049	\$ 46,690,696
Receivables						
Property taxes	2,217,013	-	669,022	-	2,886,035	2,731,808
Accounts and other receivables	1,335,383	3,462,205	-	-	4,797,588	5,225,891
Prepaid items	1,603,174	-	-	-	1,603,174	873,505
Inventories	136,619	414,849	-	-	551,468	513,207
Total Assets	\$ 25,989,514	\$ 7,525,702	\$ 2,455,376	\$ 9,034,722	\$ 45,005,314	\$ 56,035,107
Liabilities, Deferred Inflows and Fund Balances						
Liabilities						
Accounts and interest payable	\$ 2,508,745	\$ -	\$ -	\$ -	\$ 2,508,745	\$ 2,707,083
Accrued payroll and related charges	10,209,364	-	-	-	10,209,364	9,769,225
Retainage payable	-	-	-	270,246	270,246	160,834
Total Liabilities	12,718,109	-	-	270,246	12,988,355	12,637,143
Deferred Inflows of Resources						
Unavailable Revenue-Property Taxes	1,651,398	-	518,176	-	2,169,575	2,015,764
Fund Balances						
Nonspendable	1,739,793	414,849			2,154,642	1,386,712
Restricted	117,423	4,220,911	1,937,200	8,764,476	15,040,010	25,670,296
Assigned	6,002,957	2,889,942			8,892,899	8,870,357
Unassigned	3,759,834	-	-	-	3,759,834	5,454,836
Total fund balances	11,620,007	7,525,702	1,937,200	8,764,476	29,847,385	41,382,200
Total Liabilities, Deferred Inflows and Fund Balance	\$ 25,989,514	\$ 7,525,702	\$ 2,455,376	\$ 9,034,722	\$ 45,005,314	\$ 56,035,107

See notes to financial statements

Administrative School District No. 1
Deschutes County, Oregon
Reconciliation of Governmental Funds
Balance Sheet to Statement of Net Position
June 30, 2017

Total Fund Balances, June 30, 2017 (page 20)		\$	29,847,385
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost	\$	459,740,560	
Accumulated depreciation		<u>(140,958,452)</u>	318,782,108
Proportionate share of the PERS net pension liability			(142,785,408)
Deferred outflow on refunding reported in the government wide statement of net position			8,937,885
A portion of the District's property taxes are collected after year-end, but are not available soon enough to pay for the current years' operations, and therefore, are not reported as revenue in the governmental funds.			2,169,575
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:			
Long-term debt		(2,322,093)	
Pension related-deferred outflows of resources		73,649,989	
Pension related-deferred inflows of resources		(1,180,763)	
Accrued interest payable		(411,219)	
Bonds payable		(244,147,872)	
Unamortized portion of bond issuance premium		(13,364,007)	
Net OPEB obligation		(5,575,019)	
Compensated absences		(45,143)	
Accrued claims and judgments		(489,953)	
Early retirement benefits payable		<u>(890,279)</u>	<u>(194,776,358)</u>
Total Net Position (page 18)		\$	<u>22,175,186</u>

See notes to financial statements

Administrative School District No. 1
Deschutes County, Oregon
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2017, with Comparative Data

					Totals	
	General Fund	Special Revenue	Debt Service	Capital Projects	2017	2016
Revenues						
Property taxes	71,057,615	-	22,117,524	-	93,175,138	88,977,107
Tuition	3,161	-	-	-	3,161	7,550
Investment earnings	425,880	18,742	100,817	64,311	609,750	389,728
Other local sources						
Food Services	-	1,869,065	-	-	1,869,065	1,633,049
Print shop	908,947	-	-	-	908,947	944,346
Indirect	512,905	-	-	-	512,905	611,619
Charges for services	457,305	668,653	-	-	1,125,958	1,128,827
Other local sources	2,255,803	6,303,128	378,691	2,091,084	11,028,707	8,703,621
Intermediate sources						
County school fund	265,779	-	-	-	265,779	171,960
ESD apportionment	2,167,652	432,348	-	-	2,600,000	2,470,000
State sources						
State school fund	76,320,217	52,939	6,570,350	-	82,943,506	74,266,718
Common school fund	2,076,263	-	-	-	2,076,263	1,910,544
Other state sources	522,984	550,958	-	-	1,073,942	9,787,002
Federal Grant sources	78,982	11,339,999	-	-	11,418,981	12,612,873
Total revenues	157,053,491	21,235,833	29,167,382	2,155,395	209,612,101	203,614,946
Expenditures						
Current						
Instruction	95,221,673	8,551,816	-	-	103,773,489	101,799,281
Support services	59,983,580	3,027,057	650	-	63,011,286	59,015,943
Community services	263,138	8,229,338	-	-	8,492,475	8,545,301
Facilities acquisition and construction	-	-	-	726,535	726,535	816,525
Debt service						
Principal	628,288	-	16,837,076	-	17,465,364	15,617,096
Interest	75,917	-	12,902,880	-	12,978,798	13,315,093
Capital outlay	2,791,054	133,656	-	11,774,260	14,698,970	21,879,016
Total expenditures	158,963,650	19,941,866	29,740,606	12,500,795	221,146,916	220,988,256
Revenues over (under) expenditures	(1,910,158)	1,293,966	(573,224)	(10,345,399)	(11,534,815)	(17,373,310)
Other Financing Sources (Uses)						
General obligation bonds issued	-	-	-	-	-	4,175,000
Transfer to capital project fund	-	(215,160)	-	-	215,160	-
Transfer from special revenue fund	-	-	-	215,160	(215,160)	-
Total Other Financing Sources (Uses)	-	(215,160)	-	215,160	-	4,175,000
Net change in fund balances	(1,910,158)	1,078,806	(573,224)	(10,130,239)	(11,534,815)	(13,198,310)
Fund balances, beginning of year	13,530,166	6,446,896	2,510,423	18,894,715	41,382,200	54,580,510
Fund balances, end of year	11,620,007	7,525,702	1,937,200	8,764,476	29,847,385	41,382,199

See notes to financial statements

Administrative School District No. 1
Deschutes County, Oregon
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds to
the Statement of Activities
Year Ended June 30, 2017

Net Change in Fund Balance (page 22) \$ (11,534,815)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlay as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense. This is the amount by which
capital outlays exceeded depreciation in the current period:

Expenditures for capital assets and construction in progress	\$ 15,425,304	
Less current year depreciation	(11,037,734)	
Less loss on asset disposal	<u>(10,792)</u>	4,376,778

Long-term debt proceeds are reported as other financing sources in governmental
funds. In the Statement of Net Position, however, issuing long-term debt increases
liabilities. Similarly, repayment of principal is an expenditure in the governmental
funds but reduces the liability in the Statement of Net Position. This is the amount
by which repayments exceeded proceeds:

Debt principal repaid	19,433,288
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In the Statement of Activities, pension expense is adjusted based on the actuarially determined contribution changes	(16,841,723)
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Amortization of deferred outflow on debt refunding	(1,300,056)
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Governmental funds report the effect of issuance costs, premiums, and discounts
when debt is first issued, whereas these amounts are deferred and amortized in
the Statement of Activities. This amount is the net effect of these differences:

Amortization of premiums, net of discount amortization	953,112
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In the Statement of Activities interest is accrued on long-term debt, whereas
in the governmental funds it is recorded as an interest expense when due.

Accreted interest on PERS UAL bonds	(1,113,116)	
Accrued interest on general obligation bonds and other long term debt	<u>55,287</u>	(1,057,829)

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.	153,810
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Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities they are recognized as an expenditure when incurred.	(17,483)
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Certain expenses in the Statement of Activities do require the use of current financial
resources and, therefore, are not reported as expenditures in governmental funds

Early retirement benefits	479,295	
OPEB annual required contribution	(335,225)	
Estimated claims and judgments	<u>33,997</u>	<u>178,067</u>

Change in Net Position (page 20)	<u>\$ (5,656,851)</u>
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See notes to financial statements

Administrative School District No. 1
Deschutes County, Oregon
Statement of Revenues, Expenditures and Changes in Fund Balance Budget to Actual -
General Fund
Year Ended June 30, 2017

	General Fund					
	Budgeted Amounts		Variance with Final Budget Over (Under)	Actuals		
	Adopted	Final		Budget Basis	Adjustments	GAAP Basis
Revenues						
Property taxes	\$ 70,835,158	\$ 70,835,158	\$ 222,457	\$ 71,057,615	\$ -	\$ 71,057,615
Tuition	-	-	3,161	3,161	-	3,161
Investment earnings	152,000	152,000	273,880	425,880	-	425,880
Other local sources	4,618,000	4,618,000	(483,040)	4,134,960	-	4,134,960
Intermediate sources	2,475,000	2,475,000	(41,569)	2,433,431	-	2,433,431
State sources	77,228,998	77,228,998	1,690,466	78,919,464	-	78,919,464
Federal sources	172,250	172,250	(93,268)	78,982	-	78,982
Total revenues	155,481,406	155,481,406	1,572,085	157,053,491	-	157,053,491
Expenditures						
Current						
Instruction	95,666,133	95,666,133 (1)	(436,190.94)	95,229,942	(8,270)	95,221,672
Support services	61,834,140	63,684,140 (1)	(1,583,360)	62,766,363	(2,782,783)	59,983,580
Community services	309,994	309,994 (1)	(26,374)	263,138	-	263,138
Debt service	704,206	704,206 (1)	0	704,206	(704,206)	-
Principal	-	-	-	-	628,288	628,288
Interest	-	-	-	-	75,917	75,917
Capital outlay	-	-	-	-	2,791,054	2,791,054
Total expenditures	158,514,473	160,364,473	(1,400,824)	158,963,649	(0)	158,963,649
Revenues over (under) expenditures	(3,033,067)	(4,883,067)	2,972,909	(1,910,157)	(0)	(1,910,157)
Other financing sources (uses)						
Transfer to debt service fund					-	-
Transfer from special revenue fund	500,000	500,000	(500,000)	-	-	-
Total other financing sources (uses)	500,000	500,000	(500,000)	-	-	-
Net change in fund balances	(2,533,067)	(4,383,067)	2,472,909	(1,910,157)	(0)	(1,910,157)
Fund balances, beginning of year	11,782,293	11,782,293	1,747,873	13,530,166	-	-
Fund balances, end of year	\$ 9,249,226	\$ 7,399,226	\$ 4,220,782	\$ 11,620,007	\$ -	\$ (1,910,158)

(1) Appropriation level

See notes to financial statements

Administrative School District No. 1
Deschutes County, Oregon
Statement of Revenues, Expenditures and Changes in Fund Balance Budget to Actual -
Special Revenue Fund
Year Ended June 30, 2017

	Special Revenue Fund					
	Budgeted Amounts		Variance with Final Budget	Actuals		
	Adopted	Final	Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Investment earnings	\$ 5,000	\$ 5,000	\$ 13,742	\$ 18,742	\$ -	\$ 18,742
Other local sources	8,100,000	8,100,000	740,846	8,840,846	-	8,840,846
Intermediate sources	300,000	300,000	132,348	432,348	-	432,348
State sources	2,450,000	2,450,000 (2)	(1,846,103)	603,897	-	603,897
Federal sources	13,500,000	13,500,000	(2,160,001)	11,339,999	-	11,339,999
Total revenues	24,355,000	24,355,000	(3,119,167)	21,235,833	-	21,235,833
Expenditures						
Current						
Instruction	12,313,000	12,313,000 (1)	(3,704,491)	8,608,509	(56,693)	8,551,816
Support services	4,673,000	4,673,000 (1)	(1,583,360)	3,080,390	(53,334)	3,027,057
Community services	8,599,000	8,599,000 (1)	(26,374)	8,252,966	(23,629)	8,229,338
Capital outlay	-	-	-	-	133,656	133,656
Total expenditures	25,585,000	25,585,000	(5,643,135)	19,941,865	-	19,941,867
Revenues over (under) expenditures	(1,230,000)	(1,230,000)	2,523,967	1,293,967	-	1,293,966
Other financing sources (uses)						
Transfer from operating sub-fund	-	-	-	-	-	-
Transfer to other funds	(500,000)	(500,000)	284,840	(215,160)	-	(215,160)
Transfer to debt service fund	-	-	-	-	-	-
Transfer from special revenue fund	-	-	-	-	-	-
Total other financing sources (uses)	(500,000)	(500,000) (1)	284,840	(215,160)	-	(215,160)
Net change in fund balances	(1,730,000)	(1,730,000)	2,808,807	1,078,807	-	1,078,807
Fund balances, beginning of year	4,480,000	4,480,000	1,966,896	6,446,896	-	6,446,896
Fund balances, end of year	\$ 2,750,000	\$ 2,750,000	\$ 4,775,702	\$ 7,525,702	\$ -	\$ 7,525,702

(1) Appropriation level

(2) Included in this State Revenue is the required match of \$53,282 for National School Lunch Support.

See notes to financial statements

Administrative School District No. 1
 Deschutes County, Oregon
 Statement of Fiduciary Net Position
 Fiduciary Fund - Private Purpose Trust Fund
 June 30, 2017, with Comparative Data

	Totals	
	2017	2016
Assets		
Cash and investments	<u>\$ 105,420</u>	<u>\$ 87,413</u>
Net Position, June 30	<u><u>\$ 105,420</u></u>	<u><u>\$ 87,413</u></u>

See notes to financial statements

Administrative School District No. 1
 Deschutes County, Oregon
 Statement of Changes in Fiduciary Net Position
 Fiduciary Fund - Private Purpose Trust Fund
 Year Ended June 30, 2017, with Comparative Data

	Totals	
	2017	2016
Additions:		
Donations	\$ 31,469	\$ 7,300
Investment earnings	<u>591</u>	<u>285</u>
Total revenues	32,059	7,585
Deductions:		
Scholarships	<u>14,053</u>	<u>650</u>
Change in net position	18,006	6,935
Net Position, July 1	<u>87,413</u>	<u>80,478</u>
Net Position, June 30	<u>\$ 105,420</u>	<u>\$ 87,413</u>

See notes to financial statements

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NOTES TO FINANCIAL STATEMENTS

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

I. Summary of significant accounting policies

The basic financial statements of Administrative School District No. 1 (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The District's significant accounting policies are described below.

A. Reporting entity

Administrative School District No. 1, was organized under provisions of Oregon Statutes pursuant to ORS Chapter 332 and provides education services to children from grades K-12 located in Bend and La Pine and surrounding areas. The District has five high schools, two K-8 schools, one K-8 charter school, six middle schools, and eighteen elementary schools with an approximate total enrollment of 18,000 students. The District is governed by a separately elected seven-member Board of Education (Board) who approves the administrative officials. The daily functioning of the District is under the supervision of the Superintendent. As required by generally accepted accounting principles, all activities of the District have been included in the basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts, which provide service within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements.

B. Government-wide and fund financial statements

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the governmental financial activities of the overall District, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, however interfund services provided and used are not eliminated in the process of elimination. Certain indirect costs are included in the program expense reported for individual functions and activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Program revenues include: (1) charges to students or others for tuition, fees, rentals, material, supplies or services provided, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. In the Statement of Activities, program revenues include grants received from federal and state agencies and student activity fees and fundraising proceeds.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. A six-month availability period is used for revenue recognition for all other governmental fund revenues susceptible to accrual. Revenues that are susceptible to accrual include federal, state and local grants which are expenditure-driven and common school fund proceeds. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt as well as expenditures related to early retirement, arbitrage rebates and post-employment healthcare benefits are recorded only when payment is due.

The District reports the following major governmental funds:

General Fund - Accounts for all general operating revenues and expenditures of the District and for all financial resources not accounted for in another fund. Principal revenue sources are property taxes and state school support.

Special Revenue Fund - Accounts for revenues derived from specific grants and other earmarked revenue sources. Principal revenue sources are federal and state grants, student fundraising activities, and school lunch sales.

Debt Service Fund – Is used to account for the accumulation of resources and payment of general obligation bond and limited tax pension obligation bond principal and interest from governmental resources such as property taxes and state school support.

Capital Projects Fund - Accounts for the acquisition and construction of major capital facilities or other improvements. Principal revenue sources are bond proceeds and interest earnings from cash and investments.

Additionally, the District reports the following fund type:

Trust Fund – This fund uses the economic resources measurement focus and accrual basis of accounting. Accounts for scholarship resources held by the District in a fiduciary capacity for use by students. Disbursements from this fund are made in accordance with the various trust agreements.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net position

1. Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand and savings deposits, and short-term investments with maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bankers' acceptances and the State of Oregon Treasurer's Local Government Investment Pool (LGIP).

Investments are reported at fair value. The LGIP operates in accordance with appropriate state laws and regulations. The reported value of the LGIP is the same as the fair value of the LGIP shares.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

2. Receivables and payables

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15 and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are recorded on the statement of net position. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

Accounts and other receivables are comprised primarily of claims for reimbursement of costs under various federal and state grants. Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as unearned revenue.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". There were no such arrangements as of June 30, 2017.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

3. Inventories and prepaid items

Print Shop supplies, maintenance supplies, food and other cafeteria supplies are stated at average invoice cost. Donated commodities from the United States Department of Agriculture in the Nutrition Services Fund are included in the District's inventories at fair market wholesale value. Inventory items are charged to expenditures of user departments at the time of withdrawal from inventory (consumption method).

Prepaid items consist of prepaid software support fees, and are reported using the consumption method, where items are charged to expenditure as the service is provided.

4. Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their acquisition value on the date donated. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 to 50 years
Equipment	5 to 10 years

5. Self-Insurance

The District is self-insured for costs up to policy deductible limits as follows:

- Fire loss, property damage, theft, vandalism, etc. - \$50,000 per occurrence
- School Board errors and omissions - \$10,000 per occurrence

The District is self-insured for unemployment claims.

6. Retirement Plans

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB 68 and 71 have been implemented as of July 1, 2014.

In addition, the District provides early retirement benefits to eligible certified employees, classified employees and administrative supervisors who retired prior to July 1, 2013. In the government wide statements, the early termination benefit liability is computed by estimating the annual benefit due to retirees participating in the plan at the end of the fiscal year, and discounting to its net present value. On June 30, 2013, the plan closed to new retirees.

The District offers its employees a tax deferred annuity plan established pursuant to Section

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

403(b) of the Internal Revenue Code, as well as a deferred compensation plan pursuant to Section 457 of the Internal Revenue code.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This statement provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific accounts impacting the District are detailed below.

Net pension liability – Previous standards defined pension liabilities in terms of the Annually Required Contribution. Statement No. 68 defines the net pension liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan's fiduciary net position.

Deferred inflows of resources and deferred outflows of resources – Statement No. 68 includes recognition of deferred inflows and outflows of resources associated with the difference between projected and actual earnings on pension plan investments. These differences are to be recognized in pension expense using a systematic and rational method over a closed five-year period.

7. Compensated Absences

District personnel currently work under an annual contract based upon the number of workdays in each year. Employees under such contracts have no vested vacation pay benefits. Beginning in the FY08-09, certain administrators were able to accrue unused vacation leave from year to year up to a total of 30 days. Upon resignation or termination of employment, these employees will receive pay for up to 20 of these accrued vacation days. Currently, accumulated compensatory benefits earned by employees are paid as of June 30 each year. Sick pay does not vest.

8. Fund Balances

In the fund financial statements, governmental funds are categorized by the nature of the resources within the fund. The district reports fund balance using the following categories:

Nonspendable fund balance indicates the portion of fund equity that cannot be spent as it is not in a spendable format, such as inventories and prepaid expenditures.

Restricted fund balance indicates the portion of fund equity the use of which is externally restricted by grantors, creditors, or law.

Assigned fund balance indicates the portion of fund equity that the District intends to use for a specific purpose imposed by the Superintendent or designee. The Governing Body delegated the authority to the Superintendent or designee to assign fund balance.

Unassigned fund balance indicates the amount of general fund equity that is available for budgeting in future periods.

9. Long-Term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized when incurred and not deferred. Bonds payable are reported net of the applicable bond premium or discount.

**Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017**

In the fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized when incurred and not deferred.

The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets, as required by state statutes, are adopted on the modified accrual basis of accounting for all governmental funds. The budget is prepared by fund, function and activity. The budget document includes information on the past two years, current year budget information, as well as requested appropriation and estimated revenues for the ensuing fiscal year.

The proposed budget is presented by the budget officer to the budget committee. Public meetings are held by the budget committee. The budget committee may make changes to the original document. The budget committee approves the budget document to be submitted to the governing body of the district.

Once the budget document is received by the governing body, they hold a public hearing on a date as published. After the public hearing, the governing body gives consideration to matters discussed and makes amendments to the budget document prior to adoption.

However, state statutes do not allow the governing body to increase estimated expenditures for each fund by more than ten percent. The amount of the total ad valorem taxes to be certified by the county for levy for all funds shall not exceed the amount presented by the budget committee unless the budget document is republished and another public hearing is held. The governing body is then required by state statutes to adopt the budget, make appropriations, and certify the levy of ad valorem taxes for each fund. The level of control for appropriations is exercised at the program level. The program level consists of instruction, support services, enterprise and community services, facilities acquisition and construction, debt service and transfers.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the governing body. All appropriations lapse at the end of the District's fiscal year.

The District has budgeted for administrative purposes, sub-fund account groupings within the General Fund. The sub-funds have been employed to allow the administration flexibility in managing fiscal matters while complying with statutory requirements. The sub-fund account groupings used for administrative purposes are as follows:

General Fund	
General Operations	Facility Usage
Athletics and Activities	Technology Reserve
Maintenance Replacement	Transportation Equipment
Insurance Reserve	Print Shop Equipment
Instructional Materials	

III. Detailed notes on all funds

A. Deposits and investments

Deposits

At June 30, 2017, the District held cash of \$8,452,794 in Governmental Funds and \$105,420 in Fiduciary Funds, with a bank balance of \$10,194,530. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. State statutes require that all bank deposits in excess of FDIC or FSLIC insurance amounts be collateralized through the Oregon State Treasurer's Public Funds Collateralization Program. This program provides a structure for specified depositories to participate in a shared liability collateral pool. Where balances continually exceed \$250,000, ORS 295 requires bank depositories to pledge collateral against any public funds deposits in excess of deposit insurance amounts, as of June 30, 2017 this amount was \$9,677,849. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Banks are required to report quarterly to Treasury, providing quarter-end public funds balances in excess of the FDIC limits, net worth, and FDIC capitalization information. The FDIC assigns each bank with a capitalization category quarterly, either well capitalized, adequately capitalized or undercapitalized. The Public Funds Collateralization Program calculates, based on this information, the bank's minimum collateral required, which is the value that must be pledged with the custodian for the next quarter. The minimum collateral requirement is reported to the bank, OST and custodian. Public officials are required to verify that deposit accounts in excess of deposit insurance limits are only maintained at financial institutions included on the list of qualified depositories found on the Treasurer's web site.

Custodial credit risk – cash and cash equivalents. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. The provisions of ORS 295 create a shared liability structure for participating bank depositories, better protecting public funds though

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

still not guaranteeing that all funds are 100 percent protected.

Investments

At June 30, 2017, the District was invested as follows:

Investment type:	Reported amount	Maturities	
		Up to 6 months	6 months to 1 year
State of Oregon Investment Pool	\$ 26,714,255	\$ 26,714,255	\$ -

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has a Third Party Safekeeping Agreement (TPSA) with US Bank to hold certain securities in trust. All of the securities subject to the TPSA are held in trust in the District's name. The District does not have a policy for custodial credit risk for certificates of deposit.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy minimizes this risk by limiting investments to the safest types of securities and by diversifying the investment portfolio; this is done by limiting the District's exposure to an individual security issuer or backer, when possible.

Concentration of credit risk. The District's investment policy requires that the District's investments be diversified across maturities, security type, and institution to avoid incurring unreasonable risk. The investment holdings at June 30, 2017 meet the requirements of this policy.

Interest rate risk. Interest rate risk is lessened by generally matching investment maturities with cash requirements so that sales prior to maturities are minimized. The District's investment policy requires that only investments that can be held to maturity shall be purchased. At June 30, 2017 the District's investment holdings meet the requirement of this policy.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

B. Tax collections

The voters of the State of Oregon approved Ballot Measure 5, a constitutional limit on property taxes for schools and non-school government operations in November, 1990. The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. The limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

The voters of the State of Oregon later passed Measure 50 in May, 1997, which further reduced taxes by replacing the previous constitutional limits on tax bases with a rate and value limit. Measure 50 reduced the amount of operating property tax revenues available for its 1997-98 fiscal year and thereafter. This reduction was accomplished by rolling assessed property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Measure also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State of Oregon to minimize the impact of the tax cuts to school districts. The result of these initiatives has been that school districts have become more dependent upon state school funding and less dependent upon property tax revenues as their major source of operating revenue.

The levy for general operations is based on a permanent rate of \$4.7641 per thousand of assessed valuation.

The levies, as extended on the tax rolls, are summarized as follows:

	General Fund	Debt Service Fund
Certification to Assessor	73,875,204	22,788,310
Farm land and open space taxes	14,061	4,307
Other adjustments	17,075	5,230
Truncation gain	342	1
Loss to compression	(701,177)	-
Levy as extended on tax rolls	<u>73,205,505</u>	<u>22,797,848</u>

Unpaid taxes become subject to foreclosure four years after they become a lien on the property. Tax collections and foreclosure are the responsibility of the county tax collector/treasurer.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

C. Receivables

The accounts and other receivable in the General Fund are primarily balances due from other government entities such as Oregon Department of Education and High Desert Education Service District for reimbursement of expenditures. The accounts and other receivable in Special Revenue Funds represent balances due from state and federal governments for special program grants.

Accounts and other receivables on the Statement of Net Position are comprised of the following as of June 30, 2017:

	Amount
Grants	\$ 3,464,860
Common school fund	1,038,131
Other	<u>294,597</u>
Total	<u>\$ 4,797,588</u>

D. Capital assets

Capital asset activity for the year-ended June 30, 2017 was as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated				
Land	\$ 32,060,809	\$ -	-	\$ 32,060,809
Construction in progress	<u>2,817,457</u>	<u>9,796,818</u>	<u>-</u>	<u>12,614,275</u>
Total non-depreciable assets	<u>34,878,266</u>	<u>9,796,818</u>	<u>-</u>	<u>44,675,084</u>
Capital assets being depreciated:				
Buildings and improvements	363,879,800	2,710,976	(157,595)	366,433,181
Site improvements	19,736,745	9,563	-	19,746,308
Vehicles and equipment	<u>25,978,038</u>	<u>2,907,948</u>	<u>-</u>	<u>28,885,986</u>
Total depreciable assets at cost	<u>409,594,583</u>	<u>5,628,486</u>	<u>(157,595)</u>	<u>415,065,475</u>
Less accumulated depreciation for:				
Buildings and improvements	(105,869,115)	(8,617,310)	146,802	(114,339,623)
Site improvements	(6,095,872)	(685,002)	-	(6,780,874)
Vehicles and equipment	<u>(18,102,534)</u>	<u>(1,735,421)</u>	<u>-</u>	<u>(19,837,955)</u>
Total accumulated depreciation	<u>(130,067,521)</u>	<u>(11,037,734)</u>	<u>146,802</u>	<u>(140,958,452)</u>
Total depreciable assets, net	<u>279,527,062</u>	<u>(5,409,248)</u>	<u>(10,792)</u>	<u>274,107,023</u>
Total capital assets, net	<u>\$ 314,405,328</u>	<u>\$ 4,387,571</u>	<u>(10,792)</u>	<u>\$ 318,782,107</u>

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

Depreciation expense for the year was charged to the following programs:

Program	Buildings	Improvements	Equipment	Total
Regular Instruction	\$ 8,345,286	\$ 644,087	\$ 381,908	\$ 9,371,282
Business Services	263,795	40,915	1,301,785	1,606,495
Food Services	7,287	-	47,144	54,431
Central Activities	942	-	4,584	5,526
	<u>\$ 8,617,310</u>	<u>\$ 685,002</u>	<u>\$ 1,735,421</u>	<u>\$ 11,037,734</u>

E. Long-term liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

Issue Date:	Interest Rates	Original Amount	Balance June 30, 2016	Additions	Payments	Balance June 30, 2017	Due Within One Year
General Obligation Bonds							
June 20, 2007	4.0-5.0%	119,000,000	14,065,000	-	14,065,000	-	-
March 7, 2013	2-5%	81,050,000	80,090,000	-	-	80,090,000	8,485,000
August 14, 2013	4-5%	91,825,000	91,825,000	-	-	91,825,000	6,750,000
April 19, 2016		<u>4,175,000</u>	<u>4,175,000</u>	-	<u>455,000</u>	<u>3,720,000</u>	<u>890,000</u>
Total General Obligation Bonds		296,050,000	190,155,000	-	14,520,000	175,635,000	16,125,000
PERS Bonds							
October 31, 2002	2.06-6.1%	40,926,719	35,383,548	462,268	1,935,000	33,910,816	2,120,000
April 21, 2003	1.5-6.27%	25,316,993	23,906,207	650,848	1,555,000	23,002,055	1,670,000
February 19, 2004	3.25-5.528%	5,930,000	5,055,000	-	215,000	4,840,000	250,000
January 30, 2012	2.75%	<u>2,840,000</u>	<u>2,840,000</u>	-	-	<u>2,840,000</u>	-
Total PERS Bonds		75,013,712	67,184,755	1,113,116	3,705,000	64,592,872	4,040,000
Full Faith and Credit Bonds							
March 20, 2011	2.0-4.0%	<u>7,585,000</u>	<u>4,500,000</u>	-	<u>580,000</u>	<u>3,920,000</u>	<u>575,000</u>
Premiums on Bonds			<u>14,317,119</u>	-	<u>953,112</u>	<u>13,364,006</u>	-
Total Bonds Payable			<u>276,156,874</u>	<u>1,113,116</u>	<u>19,758,112</u>	<u>257,511,878</u>	<u>20,740,000</u>
Long Term Loans							
June 15, 2009	4.00%	2,900,000	993,532	-	318,141	675,391	331,004
July 1, 2012	1.99%	3,200,000	<u>1,956,849</u>	-	<u>310,147</u>	<u>1,646,702</u>	<u>316,375</u>
Total Long-Term Loans			<u>2,950,380</u>	-	<u>628,288</u>	<u>2,322,092</u>	<u>647,379</u>
Other Post-Employment Benefits			<u>5,239,794</u>	<u>895,862</u>	<u>560,637</u>	<u>5,575,019</u>	-
Early Retirement			<u>1,369,573</u>	-	<u>479,295</u>	<u>890,278</u>	<u>318,740</u>
Total Long-Term Liabilities			<u>\$ 285,716,622</u>	<u>\$ 2,008,977</u>	<u>\$ 21,426,332</u>	<u>\$ 266,299,266</u>	<u>\$ 21,706,119</u>

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. The District issues general obligation bonds to provide funds for the acquisition and construction of District school facilities. Debt service on bond principal and bond interest is paid from the Debt Service Fund. The District is subject to statutory limitations on indebtedness. As of June 30, 2017, the District's net bonded debt is \$1,647,014,026 less than the statutory debt limit. Certain issues of the District's bonds are subject to federal arbitrage regulations. The District employs the services of an arbitrage rebate specialist to determine the amount of the arbitrage

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

liability if applicable. In August 2017, Moody's affirmed the District's Aa2 bond rating in conjunction with the issuance of the 2017 general obligation bonds. In April 2016, the District issued \$4 million general obligation bonds, which is the remaining portion of 2013 voter approved amount (total \$96 million).

Future maturities to service the general obligation bonds outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	16,125,000	7,406,437	23,531,437
2019	17,585,000	6,784,099	24,369,099
2020	11,285,000	6,007,715	17,292,715
2021	12,400,000	5,479,086	17,879,086
2022	12,985,000	5,010,563	17,995,563
2023-2027	61,085,000	15,975,463	77,060,463
2028-2032	42,280,000	5,435,863	47,715,863
2033-2037	1,890,000	85,050	1,975,050
	<u>\$ 175,635,000</u>	<u>\$ 52,184,274</u>	<u>\$ 227,819,274</u>

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2017, \$80,440,000 of bonds outstanding were considered defeased.

Limited Tax Pension Obligation Bonds

The District participated in the OSBA Pension Bond Pool for the purpose of funding the District's allocated portion of the PERS Unfunded Actuarial Liability (UAL). Bonds in the amount of \$40,926,720 were issued October 31, 2002, additional bonds in the amount of \$25,316,992 were issued April 21, 2003 and \$5,930,000 were issued February 19, 2004. The bonds are being amortized over 25-26 years. In February, 2012 the District refinanced a portion of the 2002 Pension Bonds. This refinance was structured to save approximately \$45,000 per year in interest. Debt service on bond principal and interest is paid from the debt service fund.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

Future maturities to service the limited tax pension obligation bonds outstanding as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 3,064,688	\$ 3,614,892	\$ 6,679,580
2019	3,587,826	3,433,696	7,021,522
2020	4,149,564	3,216,788	7,366,352
2021	4,887,067	2,962,092	7,849,158
2022	5,428,248	2,758,016	8,186,264
2023-2027	38,950,480	8,289,687	47,240,167
2028-2032	<u>4,525,000</u>	<u>253,176</u>	<u>4,778,176</u>
	<u>\$ 64,592,872</u>	<u>\$ 24,528,347</u>	<u>\$ 89,121,219</u>

Full Faith and Credit Bonds

On March 21, 2011, the District issued full faith and credit bonds to refinance a long-term loan taken out in 2009 that was used to finance the repair of Summit High School athletic fields. The refunding was undertaken to reduce total debt service payments over the life of the debt by \$886,848 and resulted in an economic gain to the taxpayers of approximately \$740,000. The bonds mature in January 2024 and the interest rates range from 2-4%.

Future maturities to service the Full Faith and Credit bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	575,000	156,800	\$ 731,800
2019	570,000	133,800	703,800
2020	565,000	111,000	676,000
2021	560,000	88,400	648,400
2022	555,000	66,000	621,000
2023-2027	<u>1,095,000</u>	<u>65,600</u>	<u>1,160,600</u>
	<u>\$ 3,920,000</u>	<u>\$ 621,600</u>	<u>\$ 4,541,600</u>

Long-term loans

During 2009, the District borrowed funds to purchase 21 busses. This loan matures on June 15, 2019 with a fixed interest rate of 4.00%.

On July 1, 2012, the District financed \$3,200,000 to purchase 28 school buses. The loan matures in 2022 and the fixed interest rate is 1.99%. The payments on the long-term loans are made by the general fund.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

Future maturities to service the long-term loans outstanding as of June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	647,380	56,826	\$ 704,206
2019	667,116	37,090	704,206
2020	329,210	20,235	349,445
2021	335,822	13,624	349,446
2022	342,566	6,880	349,446
	<u>\$ 2,322,092</u>	<u>\$ 134,655</u>	<u>\$ 2,456,749</u>

Leases

The District leases facilities and equipment under non-cancelable operating leases. Total costs for such leases were \$272,443 for the year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2018	277,926
2019	293,684
2020	216,827
2021	233,419
2022-2023	328,876
Total	<u>\$ 1,350,733</u>

In prior years, the general fund has been used to liquidate long-term liabilities other than debt.

F. Interfund Transfers

Transfers are comprised of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Project Fund	\$ 215,160	\$ -
Special Revenue Fund	-	215,160
Total	<u>\$ 215,160</u>	<u>\$ 215,160</u>

Transfers between funds are used to finance boiler replacements in the buildings.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

G. Fund balances

The District categorizes its fund balance for major funds as nonspendable, restricted, assigned or unassigned. Nonspendable fund balance represents resources that can't be spent as they are not in a spendable format. Restricted fund balances represent resources whose use is constrained by externally imposed restrictions placed by creditors, grantors or contributors or those restrictions imposed by law. Assigned fund balances represent amounts the district intends to use for specific purposes and are imposed by the Superintendent or designee. The authority for the Superintendent or designee to assign resources for specific purposes is granted by the School Board, the District's governing body.

For the classification of unrestricted ending fund balance the District first reduces assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. At times when restricted and unrestricted amounts can be used, the District uses restricted amounts first.

Details of fund balance classifications displayed in the aggregate

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	June 30, 2017	June 30, 2016
Nonspendable:						
Inventory	\$ 136,619	\$ 414,849	\$ -	\$ -	\$ 551,468	\$ 463,138
Prepaid items	1,603,174	-	-	-	1,603,174	1,264,790
Restricted for:						
Capital projects	-	-	-	8,764,476	8,764,476	34,887,827
Debt service	-	-	1,937,200	-	1,937,200	2,271,973
Federal and state grants	-	2,772,177	-	-	2,772,177	1,963,961
Transportation equipment	117,423	-	-	-	117,423	815,144
Energy efficiency program	-	1,448,734	-	-	1,448,734	1,111,693
Assigned to:						
Appropriated fund balance	2,458,285	-	-	-	2,458,285	2,606,486
Athletics	379,345	-	-	-	379,345	230,389
Early retirement funding	-	689,181	-	-	689,181	274,600
Facility grant	-	179,774	-	-	179,774	86,494
Facility usage	567,636	-	-	-	567,636	335,522
Instructional materials	23,138	-	-	-	23,138	634,548
Insurance reserve	597,593	-	-	-	597,593	369,380
Kindergarten academic enrichment	-	-	-	-	-	-
Maintenance replacement	430,800	-	-	-	430,800	211,193
Print shop equipment	392,590	-	-	-	392,590	121,684
Student activities	-	2,020,988	-	-	2,020,988	1,850,996
Teacher exchange program	-	-	-	-	-	-
Technology	1,153,572	-	-	-	1,153,572	1,154,405
Unassigned:	<u>3,759,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,759,833</u>	<u>3,926,288</u>
	<u>\$ 11,620,007</u>	<u>\$ 7,525,702</u>	<u>\$ 1,937,200</u>	<u>\$ 8,764,476</u>	<u>\$ 29,847,384</u>	<u>\$ 54,580,510</u>

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

IV. Other Information

A. Termination benefits

Special termination benefits were made available to employees who met guidelines of a plan adopted by the Board on May 3, 1983 and revised in 2009. On May 27, 2009, the School Board voted to implement a phasing out of the program. All employees participating in the plan before the effective date of the phase out period will receive benefits as anticipated when they retire. Beginning in fiscal year 2009-10, benefits for retirees under the plan were reduced each year by 10 percent and on June 30, 2013, the plan closed to new retirees.

The maximum monthly benefit paid by the District is equal to .1667 times the base salary divided by 12. Base salary is the average of the scheduled annual gross regular salary for the three highest completed paid contract years before retirement, but shall not exceed \$36,000. Employees do not contribute to the plan and accrue no vested benefits prior to their acceptance in the program.

The District's liability under the program is reported in the government-wide statements. The plan is funded by an assessment charged against payroll in all funds. The assessed charges are accumulated and stipends paid from the special revenue fund. The intent of this assessment is to fund the plan on a "pay-as-you-go" basis and not to accumulate resources in the special revenue fund for this plan.

These benefits are in addition to benefits that may become available under the pension plan administered under the State of Oregon Public Employees Retirement System. The expenditures incurred under the post-employment benefit plan during the current fiscal year totaled \$386,365 and covered 98 retirees.

A liability for termination benefits has been recorded in the government-wide statements. The liability was derived by calculating the future benefit for all current participants based on the monthly maximum amount available to each participant for the years that they are eligible for the plan. The total liability is then discounted using a 15-year average market yield rate on US Treasury securities to reflect the present value of future cash flows.

Future maturities of termination benefits payable are as follows:

Year Ending June 30,	Amount
2018	\$ 318,740
2019	239,641
2020	159,703
2021	93,297
2022	48,768
2023-2025	30,129
	<u>\$ 890,278</u>

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

B. Pension plan

Plan Description

The District is participating in the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by PERS. The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employee defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at: <http://www.oregon.gov/pers>. The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB Statements 68 and 71 were implemented as of July 1, 2014.

Pension Benefits: The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.

Death Benefits: Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:

- member was employed by PERS employer at the time of death,
- member died within 120 days after termination of PERS covered employment,
- member died as a result of injury sustained while employed in a PERS-covered job, or
- member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits: A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

Benefit Changes After Retirement: Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

OPSRP Pension Program (OPSRP DB): The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

Pension Benefits: This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement. General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits: Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits: A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement: Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions

PERS members are required to contribute 6% of their salary and the employer makes contributions at an actuarially determined rate as adopted by the PERS Board. The rate for Tier I and Tier II for the year ended June 30, 2017 was 12.37 percent of covered annual payroll. The rate for OPSRP for the year ended June 30, 2017 was 7.68 percent. The contribution requirements of plan members are established by state statute. The employer contribution is set and may be amended by the Retirement Board.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

At June 30, 2017, the District reported a net pension liability of \$142,785,408 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the District's proportion was .95 percent, this is an increase from June 30, 2015, when the District's proportion was .94 percent. For the year ended June 30, 2017, the District recognized a pension expense of \$16,841,726.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between projected and actual experience	\$ 4,723,965	\$ -
Changes of assumptions	30,452,696	-
Net difference between projected and actual earnings on investments	28,208,406	-
Changes in proportionate share	1,178,503	-
Differences between employer contributions and employer's proportionate share of system contributions	<u>335,088</u>	<u>1,180,763</u>
Subtotal-amortized deferrals	<u>64,898,658</u>	<u>\$ 1,180,763</u>
District contributions subsequent to the measurement date	<u>8,751,331</u>	
	<u>\$ 73,649,989</u>	

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

Year ending June 30	Amount
2018	\$ 11,554,024
2019	11,554,024
2020	21,902,607
2021	16,432,777
2022	<u>2,274,464</u>
	<u>\$ 63,717,895</u>

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated July 29, 2016. Oregon PERS produces an independently audited CAFR which can be found at:

https://www.oregon.gov/pers/EMP/docs/gasb_68_report.pdf

Actuarial Valuations – The employer contribution rates effective July 1, 2015 through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier I and Tier II component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation date	December 31, 2014 rolled forward to June 30, 2016
Experience Study Report	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.50 percent, decreased from 2.75 percent at prior measurement date.
Investment rate of return	7.50 percent, decreased from 7.75 percent at prior measurement date.
Discount rate	7.50 percent, reduced from 7.75 percent
Projected salary increase	3.50 percent, reduced from 3.75 percent
COLA	Blend of 2.0% COLA and graded COLA (1.25%/.15%), in accordance with Moro decision; blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

Discount Rate – The discount rate used to measure the total pension liability decreased from 7.75 percent in the prior measurement period to 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Fiduciary Net Position

Depletion Date Projection – GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

Detailed information about PERS' fiduciary net position is available in the separately issued financial report available online at the following website http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00 %	4.10 %	4.00 %	4.68 %
Short-Term Bonds	8.00	3.65	3.61	2.74
Bank/Leveraged Loans	3.00	5.69	5.42	7.82
High Yield Bonds	1.00	6.67	6.20	10.28
Large/Mid Cap US Equities	15.75	7.96	6.70	17.07
Small Cap US Equities	1.31	8.93	6.99	21.35
Micro Cap US Equities	1.31	9.37	7.01	23.72
Developed Foreign Equities	13.13	8.34	6.73	19.40
Emerging Market Equities	4.12	10.56	7.25	28.45
Non-US Small Cap Equities	1.88	9.01	7.22	20.55
Private Equity	17.50	11.60	7.97	30.00
Real Estate (Property)	10.00	6.48	5.84	12.00
Real Estate (REITS)	2.50	8.74	6.69	22.02
Hedge Fund of Funds – Diversified	2.50	4.94	4.64	8.09
Hedge Fund – Event-driven	0.63	7.07	6.72	8.90
Timber	1.88	6.60	5.85	13.00
Farmland	1.88	7.11	6.37	13.00
Infrastructure	3.75	8.31	7.13	16.50
Commodities	1.88	6.07	4.58	18.40
Assumed Inflation - Mean			2.50 %	1.85 %
* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 3, 2015 OIC meeting.				

(Source: June 30, 2016 PERS CAFR; page 69)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent than the current rate.

	Discount rate	Proportionate share of net pension liability (asset)
1% decrease	6.50%	230,550,825
Current discount rate	7.50%	142,785,408
1% increase	8.50%	69,428,875

Deferred Items

Deferred inflows of resources and deferred outflow of resources are calculated at the Plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2016, employers will report the following deferred inflows of resources and/or deferred outflows of resources:

- Difference between expected and actual experience
- Changes in assumptions
- Changes in employer proportion since the prior measurement date
- Difference between projected and actual earnings

Differences between expected and actual experience, changes in assumptions and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are described below:

Year ended June 30, 2016 – 5.3 years

Year ended June 30, 2015 – 5.4 years

Year ended June 30, 2014 – 5.5 years

The difference between projected and actual earnings attributable to each measurement period is amortized over a closed five-year period.

C. Other post-employment benefits (OPEB)

The District sponsors a self-pay early retirement health insurance program for its retirees. The health insurance program is a post-employment benefit plan that allows eligible retirees and their dependents to purchase continuation of coverage under the District's health insurance plans from the date of retirement until eligibility for Medicare as required under ORS 243. The statutory requirement under ORS 243 results in an "implicit rate subsidy," the difference between expected early retiree claim costs and the premium paid by the retiree. GASB Statement 45 requires recognition of the cost and liability of this implicit rate subsidy in the government-wide financial statements.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

Currently, the District participates in the Oregon Educators Benefit Board, a statewide agent multiple-employer plan for health insurance benefits.

The District's annual OPEB cost is reflected on the Statement of Net Position on the accrual basis, and is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

There is no separate, audited GAAP-based postemployment benefit report available for this Plan.

The following table shows the components of the District's OPEB cost for the year ending June 30, 2017, 2016, and 2015 the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Determination of Annual Required Contribution

	Year Ending June 30		
	2017	2016	2015
Normal cost at year end	\$ 507,650	\$ 580,676	\$ 580,676
Amortization of UAAL	<u>474,952</u>	<u>513,866</u>	<u>513,866</u>
Annual required contribution	<u>\$ 982,602</u>	<u>\$ 1,094,542</u>	<u>\$ 1,094,542</u>

Determination of Net OPEB Obligation

Annual required contribution (ARC)	\$ 982,602	\$ 1,094,542	\$ 1,094,542
Interest on Net OPEB Obligation	196,492	152,881	148,115
Adjustment to ARC for Net OPEB Obligation	<u>(283,232)</u>	<u>(252,405)</u>	<u>(244,532)</u>
Annual OPEB cost	<u>895,862</u>	<u>995,018</u>	<u>998,125</u>
Expected contributions	<u>(560,637)</u>	<u>(851,268)</u>	<u>(839,209)</u>
Increase in net OPEB obligation	335,225	143,750	158,916
Net OPEB obligation, beginning of fiscal year	<u>5,239,794</u>	<u>5,096,044</u>	<u>4,937,128</u>
Net OPEB obligation, end of fiscal year	<u>\$ 5,575,019</u>	<u>\$ 5,239,794</u>	<u>\$ 5,096,044</u>
Percentage of ARC contributed	57.1%	77.8%	76.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, claim cost, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Calculations are based on the benefits provided under the term of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point.

The District elected to use the Entry Age Normal (EAN) level of percent of salary method for calculating the ARC and Actuarial Accrued Liability (AAL). The ARC is equal to the sum of the Normal Cost and a payment to amortize the Unfunded AAL over a period not to exceed 30 years. All amortization bases are spread as level dollar amounts over future open periods. The plan is currently unfunded as defined by GASB. Contributions to the plan have been determined on a pay-as-you-go basis and compared to the actuarially determined annual OPEB cost for disclosure purposes. The district has no contractually required contributions to the plan. Retirees pay all premiums.

The key actuarial assumptions used in the valuation as of June 30, 2017 include the following:

- Actuarial valuation date: 7/1/2016
- Discount rate: 3.75%
- Inflation rate assumption: 2.5%
- Medical/RX annual trend rate: 6.4% initial increase in 2017-18, reducing to 5.0% over the next 15 years
- Rates of retirement and withdrawal are the same rates that were used in the current actuarial valuation of the Oregon Public Employees Retirement System for school district employees.
- Salary merit scale: Duration 0 years, 3.53% - 30+ years, -.094%.
- Mortality rate assumption:
 - Active/healthy annuitant, RP 2000 Sex-distinct table, generational combined, set back 24 months.
 - Mortality rates for active participants are a percentage of the RP 2000 tables, active male participants are 60%, and active female participants are 55%

Funded Status and Funding Progress. As of June 30, 2017, the most recent actuarial valuation date, the Plan was considered unfunded. The AAL for benefits was \$8,469,026, and the actuarial value of assets was \$0, resulting in an unfunded AAL of \$8,469,026. The covered payroll and the ratio of the unfunded AAL to the covered payroll are not available until the next scheduled actuary report. Using a 30-year amortization period, the ARC for the fiscal year ending June 30, 2016 has been actuarially determined to be \$982,602 for the implicit rate subsidy.

The District's Plan is currently unfunded as defined by GASB. Contributions to the Plan have been determined on a pay-as-you-go basis and compared to the actuarially determined Annual OPEB Cost for disclosure purposes.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

The schedule of funding progress for the postemployment defined benefit plan immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Risk management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Insurance coverage has not changed significantly from prior years.

A liability for estimated unemployment claims is presented in the government-wide statements as an accrued payroll liability. The liability represents the district's estimate of its share of unemployment claims during fiscal year 2016-17 that were unpaid as of June 30, 2017. The estimate was calculated based on district experience and actual claims paid after June 30, 2017. A reconciliation of the claims liability is as follows:

	Year Ending June 30	
	2017	2016
Beginning balance	\$ 38,632	\$ 8,640
Claims incurred	57,869	60,627
Claims paid	(71,937)	(30,635)
Ending balance	<u>\$ 24,565</u>	<u>\$ 38,632</u>

A liability for estimated general liability claims is presented in the government-wide statements. The liability represents the district's estimate of its share of various general liability claims during FY 2016-17 that were unpaid as of June 30, 2017. The liability was calculated using actual claims settled and paid after June 30, 2017. A reconciliation of the claims liability is as follows:

	Year Ending June 30	
	2017	2016
Beginning balance	\$ 485,318	\$ 575,338
Claims incurred	36,069	73,883
Claims paid	(56,001)	(163,903)
Ending balance	<u>\$ 465,386</u>	<u>\$ 485,318</u>

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

D. Commitments and contingencies

As of June 30, 2017, the District has contractual commitments for construction and improvement projects. As of June 30, 2017, \$2,111,254 remains on the Griffin Construction contract for the Transportation facility building.

Reimbursement claims under federal and state program grants may be subject to further audit and adjustment by grantor agencies. State school support from the Oregon Department of Education may also be subject to further audit and adjustment. Disallowed claims could become a liability of the General Fund. Any such amounts are not expected to be significant. Accordingly, management does not anticipate any material adverse consequences arising from such actions.

A substantial portion of operating funding is received from the State of Oregon. State funding is determined through state wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Because these projections and pupil counts fluctuate they can cause increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the operations cannot be determined.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

E. Environmental matters

The District has complied with EPA standards for asbestos removal or encasement as well as maintenance of an asbestos management plan. In addition, the District's fuel storage facilities meet EPA standards including annual testing requirements. We are developing healthy and safe schools plan outlined by the state, which includes items like lead testing and radon testing.

G. Impairment of Asset

On January 12, 2017, the gym roof at Highland Elementary School collapsed under heavy snow accumulation. Emergency responders determined the partially collapsed building was a safety issue, and the gym was demolished on the afternoon of January 12, 2017. The District recognized a loss of \$10,792 across instructional functions.

Administrative School District No. 1
Deschutes County, Oregon
Notes To Financial Statements
June 30, 2017

H. Tax Abatement

GASB 77, *Tax Abatement Disclosures* became effective for those periods beginning after December 15, 2015. All such abatement programs are authorized by Oregon revised statutes or by local resolution or ordinance. Some programs are initiated by the County and others by other local governments and state agencies. As the amount of taxes abated during FY 2016-17 is immaterial, no additional disclosure has been made.

I. Subsequent events

On May 16, 2017, voters approved a general obligation bond issue in the amount of \$268 million to fund 2 new schools and 157 construction projects. The district issued the bonds prior to September 30, 2017 with a second issued planned at a later date. The projects will be completed over the next four years. Construction began will begin on the replacement Highland Gym in 2017, construction is expected to be completed in Fall 2018.

In August 2017, the District submitted claims to FEMA for snow removal costs related to the sever winter storms.

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REQUIRED SUPPLEMENTARY INFORMATION

Administrative School District No. 1
Deschutes County, Oregon
Required Supplementary Information
Schedule of Funding Progress and Employer Contributions- Other Post Employment Benefits
Year Ended June 30, 2017

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	EAN Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2009	\$ -	23,073,054	23,073,054	0.0%	70,427,034	32.76%
6/30/2011	-	11,478,403	11,478,403	0.0%	70,168,107	16.36%
7/1/2012	-	13,740,513	13,740,513	0.0%	70,869,788	19.39%
7/1/2014	-	10,072,786	10,072,786	0.0%	84,512,378	11.92%
7/1/2016	-	8,469,026	8,469,026	0.0%	94,410,873	8.97%

The above table presents the most recent actuarial valuations for the District's post employment benefit plan, and it provides information that approximates funding progress of the plan.

Schedule of Employer Contributions

Fiscal Year	Annual OPEB		Percentage of Annual OPEB	
	cost	Actual Employer Contributions	Cost Contributed	Net OPEB Obligation
2009	\$ 2,751,533	\$ 917,026	33.33%	\$ 1,834,507
2010	2,815,741	11,400,173	40.49%	3,510,175
2011	1,170,660	885,405	75.63%	3,795,430
2012	1,162,659	906,920	78.00%	4,051,169
2013	1,310,813	837,310	63.88%	4,524,672
2014	1,301,565	889,109	68.31%	4,937,128
2015	998,125	839,209	84.08%	5,096,044
2016	995,018	851,268	85.55%	5,239,794
2017	895,862	560,637	62.58%	5,575,019

Administrative School District No. 1
Deschutes County, Oregon
Required Supplementary Information
Schedule of the Proportionate Share of The Net Pension Liability for PERS
Year Ended June 30, 2017

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.95%	\$ 142,785,408	\$85,613,516	166.8%	80.5%
2016	0.94	54,255,989	80,315,145	67.5	91.9
2015	0.88	(19,970,972)	76,781,668	(26.0)	103.6

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Administrative School District No. 1
Deschutes County, Oregon
Required Supplementary Information
Schedule of Employer Contributions for PERS
Year Ended June 30, 2017

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the Statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2017	\$ 8,751,328	\$ 8,751,328		88,930,218	9.8%
2016	8,379,165	8,379,165	-	85,613,516	9.8
2015	10,122,605	10,122,605	-	80,315,145	12.6
2014	9,674,212	9,674,212	-	76,781,668	12.6

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SUPPLEMENTARY INFORMATION



**Bend High School, built in 1925
Current site of Bend-La Pine Schools Education Center.**

Description of Fund Types

General Fund

This fund accounts for general operating revenues, expenditures and transfers of the District. The principal sources of revenue are from the local tax levy and state school support.

Sub-fund account groupings are used to separate accounting records for management purposes. The sub-fund account groupings are as follows:

- General Operations
- Athletics and Activities
- Instructional Materials
- Transportation Equipment
- Print Shop Equipment
- Facility Usage
- Technology Reserve
- Maintenance Replacement
- Insurance Reserve

Special Revenue Fund

The special revenue fund accounts for revenue sources that are set aside for specific purposes or have legal restrictions that determine how and on what the funds may be disbursed.

The District accounts for grant funds, student body funds and nutritional services activities in special revenue funds. The grant funds include Title grants, IDEA (special education), Family Advocate Network and various other grants received from the federal, state or other sources.

Debt Service Fund

The debt service fund is used to account for all sources and uses related to the general obligation debt, PERS UAL refunding debt, and Summit High Athletic field project debt of the District.

The main source used to pay for the general obligation debt of the District is property taxes levied at a rate to cover the debt for the current period. The source used to pay for the PERS UAL refunding debt of the District is a portion of the State School Fund. The source used to pay the long-term debt for the Summit High Athletic field project is general resources of the district.

Capital Projects Fund

The capital projects fund is used to account for the transactions related to projects funded through the issuance of general obligation bonds. The major source of revenue for this fund is proceeds from the issuance of bonds.

Private Purpose Trust Fund

The private purpose trust fund accounts for revenues and expenses of individual bequests and grants held by the District. The fund assets have been contributed by individuals and are subject to restrictions set forth in the trust agreements.

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SUPPLEMENTARY INFORMATION

COMBINING SCHEDULES OF GENERAL FUND SUB-FUNDS

Administrative School District No. 1
Deschutes County, Oregon
Combining Schedule of Assets, Liabilities and Fund Balance
General Fund - Sub-Funds
(GAAP Basis)
June 30, 2017, with Comparative Data

	General Operations	Athletics and Activities	Instructional Materials	Transportation Equipment
Assets				
Cash and investments	\$ 17,067,172	\$ 379,345	\$ 23,138	\$ 117,423
Receivables				
Property taxes	2,217,013	-	-	-
Accounts and other receivables	1,303,440	-	-	-
Prepaid items	1,603,174	-	-	-
Inventories	60,499	-	-	-
Total Assets	\$ 22,251,299	\$ 379,345	\$ 23,138	\$ 117,423
Liabilities, Deferred Inflows and Fund Balances				
Liabilities				
Accounts and interest payable	\$ 2,508,745	\$ -	\$ -	\$ -
Accrued payroll and related charges	10,209,364	-	-	-
Total Liabilities	12,718,109	-	-	-
Deferred Inflows of Resources				
Unavailable Revenue-Property Taxes	1,651,398	-	-	-
Fund Balances				
Nonspendable	1,663,673	-	-	-
Restricted	-	-	-	117,423
Assigned	2,458,285	379,345	23,138	-
Unassigned	3,759,834	-	-	-
Total Fund Balances	7,881,792	379,345	23,138	117,423
Total Liabilities, Deferred Inflows and Fund Balances	\$ 22,251,299	\$ 379,345	\$ 23,138	\$ 117,423

Print Shop Equipment	Facility Usage	Technology Reserve	Maintenance Replacement	Insurance Reserve	2017	2016
\$ 392,212	\$ 536,070	\$ 1,153,572	\$ 430,800	\$ 597,593	\$ 20,697,324	\$ 22,481,998
-	-	-	-	-	2,217,013	2,086,037
376	31,566	-	-	-	1,335,383	1,958,751
-	-	-	-	-	1,603,174	873,505
76,120	-	-	-	-	136,619	136,856
<u>\$ 468,709</u>	<u>\$ 567,636</u>	<u>\$ 1,153,572</u>	<u>\$ 430,800</u>	<u>\$ 597,593</u>	<u>\$ 25,989,514</u>	<u>\$ 27,537,147</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,508,745	\$ 2,707,083
-	-	-	-	-	10,209,364	9,769,225
-	-	-	-	-	12,718,109	12,476,308
-	-	-	-	-	1,651,398	1,530,673
76,120	-	-	-	-	1,739,793	1,010,360
-	-	-	-	-	117,423	904,822
392,589	567,636	1,153,572	430,800	597,593	6,002,957	6,160,148
-	-	-	-	-	3,759,834	5,454,836
<u>468,709</u>	<u>567,636</u>	<u>1,153,572</u>	<u>430,800</u>	<u>597,593</u>	<u>11,620,007</u>	<u>13,530,166</u>
<u>\$ 468,709</u>	<u>\$ 567,636</u>	<u>\$ 1,153,572</u>	<u>\$ 430,800</u>	<u>\$ 597,593</u>	<u>\$ 25,989,514</u>	<u>\$ 27,537,147</u>

Administrative School District No. 1
Deschutes County, Oregon
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Sub-Funds
(GAAP Basis)
Year Ended June 30, 2017, with Comparative Data

	General Operations	Athletics and Activities	Instructional Materials	Transportation Equipment
Revenues				
Property taxes	\$ 71,057,615	\$ -	\$ -	\$ -
Tuition	3,161	-	-	-
Investment earnings	419,549	-	-	2,458
Print shop	-	-	-	-
Indirect	512,905	-	-	-
Charges for services	457,305	-	-	-
Other local sources	273,140	477,947	-	39,619
County school funds	265,779	-	-	-
ESD apportionment	2,167,652	-	-	-
State school fund	75,337,559	-	-	713,223
Common school fund	2,076,263	-	-	-
Other state sources	489,648	-	-	-
Federal grant sources	78,982	-	-	-
Total revenues	153,139,556	477,947	-	755,300
Expenditures				
Current				
Instruction	91,800,099	2,044,230	1,327,149	-
Support services	57,657,026	407,312	165,388	4,325
Community services	118,731	-	-	-
Debt service				
Principal	-	-	-	628,288
Interest	-	-	-	75,917
Capital outlay	501,672	67,365	-	919,668
Total expenditures	150,077,527	2,518,907	1,492,536	1,628,199
Revenues over (under) expenditures	3,062,029	(2,040,959)	(1,492,536)	(872,899)
Other financing sources (uses)				
Transfers	(4,085,671)	1,940,993	1,409,178	85,500
Total other financing sources (uses)	(4,085,671)	1,940,993	1,409,178	85,500
Net change in fund balances	(1,023,642)	(99,966)	(83,358)	(787,399)
Fund balances, beginning of year	8,905,434	479,311	106,496	904,822
Fund balances, end of year	\$ 7,881,792	\$ 379,345	\$ 23,138	\$ 117,423

Print Shop Equipment	Facility Usage	Technology Reserve	Maintenance Replacement	Insurance Reserve	2017	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,057,615	\$ 67,670,605
-	-	-	-	-	3,161	7,550
-	-	-	-	3,873	425,880	238,852
908,947	-	-	-	-	908,947	944,346
-	-	-	-	-	512,905	611,619
-	-	-	-	-	457,305	481,840
14	314,765	438,262	80,453	631,603	2,255,803	2,731,419
-	-	-	-	-	265,779	171,961
-	-	-	-	-	2,167,652	2,026,108
-	-	-	269,435	-	76,320,217	74,213,436
-	-	-	-	-	2,076,263	1,910,544
-	33,336	-	-	-	522,984	478,719
-	-	-	-	-	78,982	291,746
908,961	348,101	438,262	349,888	635,476	157,053,491	151,778,745
-	50,196	-	-	-	95,221,673	92,286,686
767,996	95,618	218,600	125,508	541,808	59,983,580	55,456,528
-	144,406	-	-	-	263,138	267,904
-	-	-	-	-	628,288	609,820
-	-	-	-	-	75,917	94,386
-	5,470	1,123,935	160,444	12,500	2,791,054	1,335,539
767,996	295,690	1,342,535	285,951	554,308	158,963,650	150,050,863
140,965	52,410	(904,273)	63,937	81,169	(1,910,158)	1,727,882
-	100,000	550,000	-	-	-	-
-	100,000	550,000	-	-	-	-
140,965	152,410	(354,273)	63,937	81,169	(1,910,158)	1,727,881
327,744	415,226	1,507,845	366,863	516,424	13,530,166	11,802,285
<u>\$ 468,709</u>	<u>\$ 567,636</u>	<u>\$ 1,153,572</u>	<u>\$ 430,800</u>	<u>\$ 597,593</u>	<u>\$ 11,620,007</u>	<u>\$ 13,530,166</u>

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SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISONS

Administrative School District No. 1
Deschutes County, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
General Fund - Operations Sub Fund
Year Ended June 30, 2017

	Budgeted Amounts		Variance with Final Budget	Actuals		
	Adopted	Final	Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Property taxes	\$ 70,835,158	\$ 70,835,158	\$ 222,457	\$ 71,057,615	\$ -	\$ 71,057,615
Tuition	-	-	3,161	3,161	-	3,161
Investment earnings	150,000	150,000	269,549	419,549	-	419,549
Other Local sources	1,837,500	1,837,500	(594,151)	1,243,350	-	1,243,350
Intermediate sources	2,475,000	2,475,000	(41,569)	2,433,431	-	2,433,431
State sources	76,514,059	76,514,059	1,389,411	77,903,470	-	77,903,470
Federal sources	172,250	172,250	(93,268)	78,982	-	78,982
Total revenues	<u>151,983,967</u>	<u>151,983,967</u>	<u>1,155,589</u>	<u>153,139,556</u>	<u>-</u>	<u>153,139,556</u>
Expenditures						
Current						
Instruction	90,879,603	90,879,603	(928,766)	91,808,369	(8,270)	91,800,099
Support services	56,732,999	58,582,999	432,572	58,150,427	(493,402)	57,657,026
Community services	133,994	133,994	15,263	118,731	-	118,731
Debt service	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Contingency	-	-	-	-	-	-
Capital outlay	-	-	-	-	501,672	501,672
Total expenditures	<u>147,746,596</u>	<u>149,596,596</u>	<u>(480,931)</u>	<u>150,077,527</u>	<u>-</u>	<u>150,077,527</u>
Revenues over (under) expenditures	4,237,371	2,387,371	1,636,520	3,062,029	-	3,062,029
Other financing sources (uses)						
Transfers	<u>(4,085,671)</u>	<u>(4,085,671)</u>	<u>-</u>	<u>(4,085,671)</u>	<u>-</u>	<u>(4,085,671)</u>
Net change in fund balances	151,700	(1,698,300)	674,658	(1,023,642)	-	(1,023,642)
Fund balances, beginning of year	<u>8,113,526</u>	<u>8,113,526</u>	<u>791,908</u>	<u>8,905,434</u>	<u>-</u>	<u>8,905,434</u>
Fund balances, end of year	<u>\$ 8,265,226</u>	<u>\$ 6,415,226</u>	<u>\$ 1,466,566</u>	<u>\$ 7,881,792</u>	<u>\$ -</u>	<u>\$ 7,881,792</u>

Administrative School District No. 1
Deschutes County, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
General Fund - Athletics and Activities Sub Fund
Year Ended June 30, 2017

	Budgeted Amounts		Variance with Final Budget	Actuals		
	Adopted	Final	Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Other Local sources	<u>\$ 507,500</u>	<u>\$ 507,500</u>	<u>\$ (29,553)</u>	<u>\$ 477,947</u>	<u>\$ (18,529)</u>	<u>\$ 459,419</u>
Expenditures						
Current						
Instruction	2,162,352	2,162,352	(118,122)	2,044,230	-	2,044,230
Support services	446,141	446,141	28,536	474,677	(67,365)	407,312
Capital outlay	-	-	-	-	67,365	67,365
Total expenditures	<u>2,608,493</u>	<u>2,608,493</u>	<u>(89,586)</u>	<u>2,518,907</u>	<u>-</u>	<u>2,518,907</u>
Revenues over (under) expenditures	(2,100,993)	(2,100,993)	60,034	(2,040,959)	(18,529)	(2,059,488)
Other financing sources						
Transfers	<u>1,940,993</u>	<u>1,940,993</u>	<u>-</u>	<u>1,940,993</u>	<u>-</u>	<u>1,940,993</u>
Net change in fund balances	(160,000)	(160,000)	60,034	(99,966)	(18,529)	(118,495)
Fund balances, beginning of year	<u>200,000</u>	<u>200,000</u>	<u>279,311</u>	<u>479,311</u>	<u>-</u>	<u>479,311</u>
Fund balances, end of year	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 339,345</u>	<u>\$ 379,345</u>	<u>\$ (18,529)</u>	<u>\$ 360,816</u>

Administrative School District No. 1
Deschutes County, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
General Fund - Instructional Materials Sub Fund
Year Ended June 30, 2017

	Budgeted Amounts		Variance with Final Budget Over (Under)	Actuals		
	Adopted	Final		Budget Basis	Adjustments	GAAP Basis
Expenditures						
Current						
Instruction	1,409,178	1,409,178	(82,029)	1,327,149	-	1,327,149
Support services	-	-	165,388	165,388	-	165,388
Total expenditures	<u>1,409,178</u>	<u>1,409,178</u>	<u>83,358</u>	<u>1,492,536</u>	<u>-</u>	<u>1,492,536</u>
Revenues over (under) expenditures	(1,409,178)	(1,409,178)	83,358	(1,492,536)	-	(1,492,536)
Other financing sources						
Transfers	<u>1,409,178</u>	<u>1,409,178</u>	<u>-</u>	<u>1,409,178</u>	<u>-</u>	<u>1,409,178</u>
Net change in fund balances	-	-	83,358	(83,358)	-	(83,358)
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>106,496</u>	<u>106,496</u>	<u>-</u>	<u>106,496</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,138</u>	<u>\$ 23,138</u>	<u>\$ -</u>	<u>\$ 23,138</u>

Administrative School District No. 1
Deschutes County, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
General Fund - Transportation Equipment Sub Fund
Year Ended June 30, 2017

	Budgeted Amounts		Variance with Final Budget	Actuals		
	Adopted	Final	Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Investment earnings	\$ -	\$ -	\$ 1,413	\$ 2,458	\$ -	\$ 2,458
Local sources	-	-	7,316	39,619	-	39,619
State sources	<u>714,939</u>	<u>714,939</u>	<u>573,552</u>	<u>713,223</u>	<u>-</u>	<u>713,223</u>
Total revenues	<u>714,939</u>	<u>714,939</u>	<u>582,281</u>	<u>755,300</u>	<u>-</u>	<u>755,300</u>
Expenditures						
Current						
Instruction	-	-	-	-	-	-
Support services	935,000	935,000	(32,763)	923,993	(919,668)	4,325
Debt service	704,206	704,206	-	704,206	(704,206)	-
Principal	-	-	-	-	628,288	628,288
Interest	-	-	-	-	75,917	75,917
Contingency	-	-	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>919,668</u>	<u>919,668</u>
Total expenditures	<u>1,639,206</u>	<u>1,639,206</u>	<u>(32,763)</u>	<u>1,628,199</u>	<u>-</u>	<u>1,628,199</u>
Revenues over (under) expenditures	(924,267)	(924,267)	615,044	(872,899)	-	(872,899)
Other financing sources (uses)						
Transfers	<u>85,500</u>	<u>85,500</u>	<u>-</u>	<u>85,500</u>	<u>-</u>	<u>85,500</u>
Total other financing sources	<u>85,500</u>	<u>85,500</u>	<u>582,281</u>	<u>85,500</u>	<u>-</u>	<u>85,500</u>
Net change in fund balance	(838,767)	(838,767)	1,197,325	(787,399)	-	(787,399)
Fund balances, beginning of year	<u>888,767</u>	<u>888,767</u>	<u>8,991</u>	<u>904,822</u>	<u>-</u>	<u>904,822</u>
Fund balances, end of year	<u>\$ 346,313</u>	<u>\$ 346,313</u>	<u>\$ 1,206,316</u>	<u>\$ 117,423</u>	<u>\$ -</u>	<u>\$ 117,423</u>

Administrative School District No. 1
Deschutes County, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
General Fund - Print Shop Sub Fund
Year Ended June 30, 2017

	Budgeted Amounts		Variance with Final Budget	Actuals		
	Adopted	Final	Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Other Local sources	<u>\$ 900,000</u>	<u>\$ 900,000</u>	<u>\$ (161,305)</u>	<u>\$ 908,961</u>	<u>\$ -</u>	<u>\$ 908,961</u>
Expenditures						
Current						
Support services	<u>925,000</u>	<u>925,000</u>	<u>279,109</u>	<u>767,996</u>	<u>-</u>	<u>767,996</u>
Total expenditures	<u>925,000</u>	<u>925,000</u>	<u>279,109</u>	<u>767,996</u>	<u>-</u>	<u>767,996</u>
Revenues over (under) expenditures	(25,000)	(25,000)	117,803	140,965	-	140,965
Other financing sources						
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(25,000)	(25,000)	117,803	140,965	-	140,965
Fund balances, beginning of year	<u>200,000</u>	<u>200,000</u>	<u>(40,059)</u>	<u>327,744</u>	<u>-</u>	<u>327,744</u>
Fund balances, end of year	<u>\$ 175,000</u>	<u>\$ 175,000</u>	<u>\$ 77,744</u>	<u>\$ 468,709</u>	<u>\$ -</u>	<u>\$ 468,709</u>

Administrative School District No. 1
Deschutes County, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
General Fund - Facility Usage Sub Fund
Year Ended June 30, 2017

	Budgeted Amounts		Variance with Final Budget Over (Under)	Actuals		
	Adopted	Final		Budget Basis	Adjustments	GAAP Basis
Revenues						
Other Local sources	\$ 395,000	\$ 395,000	\$ (80,235)	\$ 314,765	\$ -	\$ 314,765
State Sources	-	-	33,336	33,336	-	33,336
Total revenues	<u>395,000</u>	<u>395,000</u>	<u>(46,899)</u>	<u>348,101</u>	<u>-</u>	<u>348,101</u>
Expenditures						
Current						
Instruction	160,000	160,000	(109,804)	50,196	-	50,196
Support services	170,000	170,000	(68,912)	101,088	(5,470)	95,618
Community services	176,000	176,000	(31,594)	144,406	-	144,406
Capital outlay	-	-	-	-	5,470	5,470
Total expenditures	<u>506,000</u>	<u>506,000</u>	<u>(210,310)</u>	<u>295,690</u>	<u>-</u>	<u>295,690</u>
Revenues over (under) expenditures	(111,000)	(111,000)	163,410	52,410	-	52,410
Other financing sources						
Transfers	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Net change in fund balance	(11,000)	(11,000)	163,410	152,410	-	152,410
Fund balances, beginning of year	<u>180,000</u>	<u>180,000</u>	<u>235,226</u>	<u>415,226</u>	<u>-</u>	<u>415,226</u>
Fund balances, end of year	<u>\$ 169,000</u>	<u>\$ 169,000</u>	<u>\$ 398,636</u>	<u>\$ 567,636</u>	<u>\$ -</u>	<u>\$ 567,636</u>

Administrative School District No. 1
Deschutes County, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
General Fund - Technology Reserve Sub Fund
Year Ended June 30, 2017

	Budgeted Amounts		Variance with Final Budget	Actuals		
	Adopted	Final	Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Other Local sources	\$ 350,000	\$ 350,000	\$ 88,262	\$ 438,262	\$ -	\$ 438,262
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>88,262</u>	<u>438,262</u>	<u>-</u>	<u>438,262</u>
Expenditures						
Current						
Instruction	830,000	830,000	(830,000)	-	-	-
Support services	1,520,000	1,520,000	(177,465)	1,342,535	(1,123,935)	218,600
Capital outlay	-	-	-	-	1,123,935	1,123,935
Total expenditures	<u>2,350,000</u>	<u>2,350,000</u>	<u>(1,007,465)</u>	<u>1,342,535</u>	<u>-</u>	<u>1,342,535</u>
Revenues over (under) expenditures	(2,000,000)	(2,000,000)	1,095,727	(904,273)	-	(904,273)
Other financing sources						
Transfers	<u>550,000</u>	<u>550,000</u>	<u>-</u>	<u>550,000</u>	<u>-</u>	<u>550,000</u>
Net change in fund balance	(1,450,000)	(1,450,000)	1,095,727	(354,273)	-	(354,273)
Fund balances, beginning of year	<u>1,500,000</u>	<u>1,500,000</u>	<u>7,845</u>	<u>1,507,845</u>	<u>-</u>	<u>1,507,845</u>
Fund balances, end of year	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 1,103,572</u>	<u>\$ 1,153,572</u>	<u>\$ -</u>	<u>\$ 1,153,572</u>

Administrative School District No. 1
Deschutes County, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
General Fund - Maintenance Replacement Sub Fund
Year Ended June 30, 2017

	Budgeted Amounts		Variance with Final Budget	Actuals		
	Adopted	Final	Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Other Local sources	\$ -	\$ -	\$ 80,453	\$ 80,453	\$ -	\$ 80,453
State sources	-	-	269,435	269,435	-	269,435
Total revenues	-	-	349,888	349,888	-	349,888
Expenditures						
Current						
Support services	650,000	650,000	(364,049)	285,951	(160,444)	125,508
Capital outlay	-	-	-	-	160,444	160,444
Total expenditures	650,000	650,000	(364,049)	285,951	-	285,951
Revenues over (under) expenditures	(650,000)	(650,000)	713,937	63,937	-	63,937
Other financing sources						
Transfers	500,000	500,000	(500,000)	-	-	-
Net change in fund balance	(150,000)	(150,000)	213,937	63,937	-	63,937
Fund balances, beginning of year	350,000	350,000	16,863	366,863	-	366,863
Fund balances, end of year	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 230,800</u>	<u>\$ 430,800</u>	<u>\$ -</u>	<u>\$ 430,800</u>

Administrative School District No. 1
Deschutes County, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
General Fund - Insurance Reserve Sub Fund
Year Ended June 30, 2017

	Budgeted Amounts		Variance with Final Budget	Actuals		
	Adopted	Final	Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Investment earnings	\$ 2,000	\$ 2,000	\$ 1,873	\$ 3,873	\$ -	\$ 3,873
Other local sources	628,000	628,000	3,603	631,603	-	631,603
Total Revenues	<u>630,000</u>	<u>630,000</u>	<u>5,476</u>	<u>635,476</u>	<u>-</u>	<u>635,476</u>
Expenditures						
Current						
Instruction	225,000	225,000	(225,000)	-	-	-
Support services	455,000	455,000	99,308	554,308	(12,500)	541,808
Capital outlay	-	-	-	-	12,500	12,500
Total Expenditures	<u>680,000</u>	<u>680,000</u>	<u>(125,692)</u>	<u>554,308</u>	<u>-</u>	<u>554,308</u>
Net change in fund balance	(50,000)	(50,000)	131,169	81,169	-	81,169
Fund balances, beginning of year	<u>350,000</u>	<u>350,000</u>	<u>166,424</u>	<u>516,424</u>	<u>-</u>	<u>516,424</u>
Fund balances, end of year	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 297,593</u>	<u>\$ 597,593</u>	<u>\$ -</u>	<u>\$ 597,593</u>

Administrative School District No. 1
Deschutes County, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Debt Service Fund
Year Ended June 30, 2017

	Budgeted Amounts		Variance with Final Budget Over (Under)	Actuals		
	Adopted	Final		Budget Basis	Adjustments	GAAP Basis
Revenues						
Property taxes	\$ 22,050,745	\$ 22,050,745	\$ (35,937)	\$ 22,117,524	\$ -	\$ 22,117,524
Investment earnings	23,000	23,000	38,204	100,817	-	100,817
Other Local sources	-	-	293,989	378,691	-	378,691
Intermediate sources	-	-	-	-	-	-
State sources	6,355,594	6,355,594	745,750	6,570,350	-	6,570,350
Total revenues	<u>28,429,339</u>	<u>28,429,339</u>	<u>1,042,006</u>	<u>29,167,382</u>	<u>-</u>	<u>29,167,382</u>
Expenditures						
Current:						
Support Services	3,000	3,000	(2,350)	650	-	650
Debt service	29,740,315	29,740,315 (1)	(359)	29,739,956	(29,739,956)	-
Principal	-	-	-	-	16,837,076	16,837,076
Interest	-	-	-	-	12,902,880	12,902,880
Total expenditures	<u>29,743,315</u>	<u>29,743,315</u>	<u>(2,709)</u>	<u>29,740,606</u>	<u>0</u>	<u>29,740,606</u>
Revenues over (under) expenditures	<u>(1,313,976)</u>	<u>(1,313,976)</u>	<u>1,044,716</u>	<u>(573,224)</u>	<u>(0)</u>	<u>(573,224)</u>
Net change in fund balance	(1,313,976)	(1,313,976)	1,044,716	(573,224)	(0)	(573,224)
Fund balances, beginning of year	<u>29,740,315</u>	<u>29,740,315</u>	<u>248,475</u>	<u>2,510,423</u>	<u>-</u>	<u>2,510,423</u>
Fund balances, end of year	<u>\$ 28,426,339</u>	<u>\$ 28,426,339</u>	<u>\$ 1,293,191</u>	<u>\$ 1,937,200</u>	<u>\$ (0)</u>	<u>\$ 1,937,200</u>

(1) Appropriation level

Administrative School District No. 1
Deschutes County, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Debt Service Fund
Year Ended June 30, 2017

	Budgeted Amounts		Variance with Final Budget	Actuals		
	Adopted	Final		Budget Basis	Adjustments	GAAP Basis
Revenues						
Property taxes	\$ 22,050,745	\$ 22,050,745	\$ 66,779	\$ 22,117,524	\$ -	\$ 22,117,524
Investment earnings	23,000	23,000	77,817	100,817	-	100,817
Other Local sources	-	-	378,691	378,691	-	378,691
State sources	6,355,594	6,355,594	214,756	6,570,350	-	6,570,350
Total revenues	<u>28,429,339</u>	<u>28,429,339</u>	<u>1,042,006</u>	<u>29,167,382</u>	<u>-</u>	<u>29,167,382</u>
Expenditures						
Current:						
Support Services	3,000	3,000	(2,350)	650	-	650
Debt service	29,740,315	29,740,315 (1)	(359)	29,739,956	(29,739,956)	-
Principal	-	-	-	-	16,837,076	16,837,076
Interest	-	-	-	-	12,902,880	12,902,880
Total expenditures	<u>29,743,315</u>	<u>29,743,315</u>	<u>(2,709)</u>	<u>29,740,606</u>	<u>0</u>	<u>29,740,606</u>
Revenues over (under) expenditures	<u>(1,313,976)</u>	<u>(1,313,976)</u>	<u>740,752</u>	<u>(573,224)</u>	<u>(0)</u>	<u>(573,224)</u>
Net change in fund balance	(1,313,976)	(1,313,976)	740,752	(573,224)	(0)	(573,224)
Fund balances, beginning of year	<u>2,531,976</u>	<u>2,531,976</u>	<u>(21,553)</u>	<u>2,510,423</u>	<u>-</u>	<u>2,510,423</u>
Fund balances, end of year	<u>\$ 1,218,000</u>	<u>\$ 1,218,000</u>	<u>\$ 719,200</u>	<u>\$ 1,937,200</u>	<u>\$ (0)</u>	<u>\$ 1,937,200</u>

(1) Appropriation level

Administrative School District No. 1
Deschutes County, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Private Purpose Trust Fund
Year Ended June 30, 2017

	Budgeted Amounts		Variance with Final Budget Over (Under)	Actuals		
	Adopted	Final		Budget Basis	Adjustments	GAAP Basis
Revenues						
Investment earnings	\$ 5,000	\$ 5,000	\$ (4,409)	\$ 591	\$ -	\$ 591
Donations	-	-	31,469	31,469	-	31,469
Total revenues	5,000	5,000	27,059	32,059	-	32,059
Expenditures						
Current						
Enterprise and community	20,000	20,000 (1)	5,947	14,053	-	14,053
Net change in fund balance	(15,000)	(15,000)	33,006	18,006	-	18,006
Fund balances, beginning of year	83,000	83,000	4,413	87,413	-	87,413
Fund balances, end of year	<u>\$ 68,000</u>	<u>\$ 68,000</u>	<u>\$ 37,420</u>	<u>\$ 105,420</u>	<u>\$ -</u>	<u>\$ 105,420</u>

(1) Appropriation level

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OTHER FINANCIAL SCHEDULES

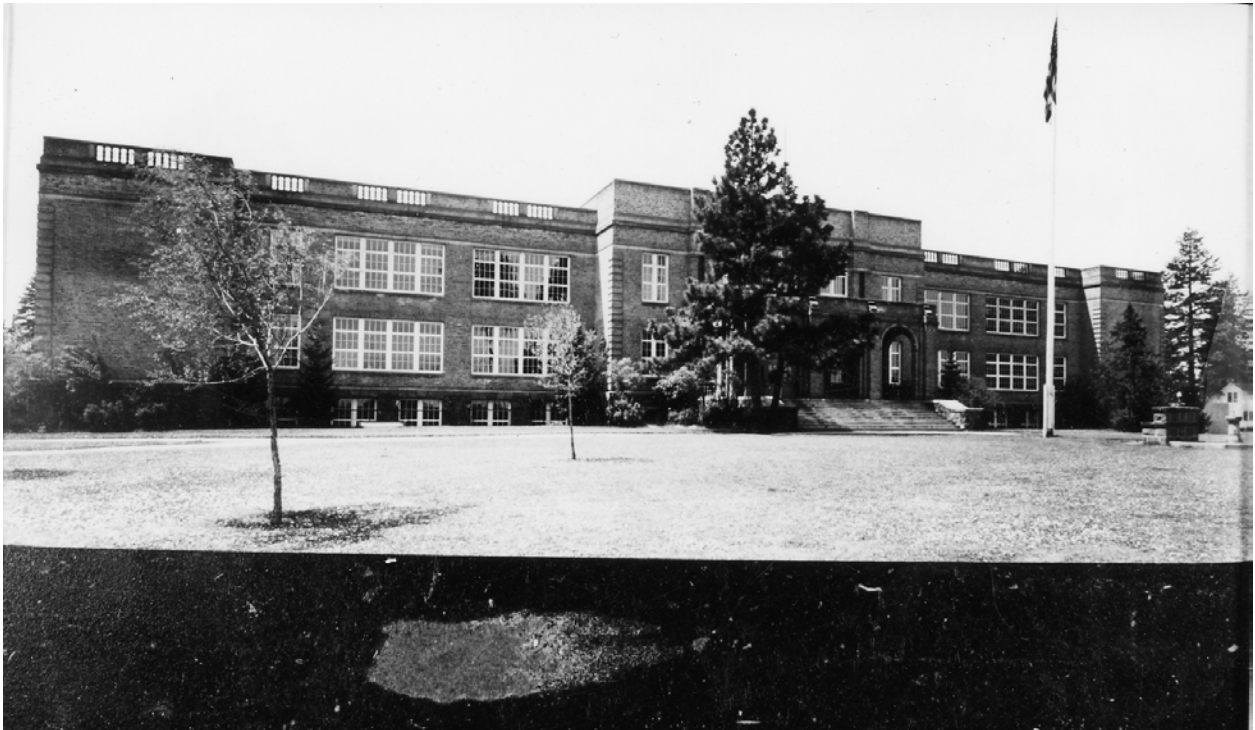
Administrative School District No. 1
Deschutes County, Oregon
Schedule of Future Debt Service by Issue - Bond Principal and Interest
June 30, 2017

Year of Maturity	January 30, 2012		March 7, 2013		August 14, 2013		April 19, 2016	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	-	78,100	8,485,000	3,399,300	6,750,000	3,954,313	890,000	52,824
2019	-	78,100	9,315,000	3,059,600	7,500,000	3,684,313	770,000	40,186
2020	-	78,100	10,290,000	2,594,150	-	3,384,313	995,000	29,252
2021	2,840,000	78,100	11,335,000	2,079,650	-	3,384,313	1,065,000	15,123
2022	-	-	12,335,000	1,626,250	650,000	3,384,313		
2023			13,530,000	1,009,500	875,000	3,358,313		
2024			14,800,000	333,000	1,110,000	3,323,313		
2025					15,635,000	3,267,813		
2026					7,215,000	2,486,063		
2027					7,920,000	2,197,463		
2028					8,670,000	1,880,663		
2029					9,470,000	1,533,863		
2030					10,345,000	1,131,388		
2031					11,280,000	691,725		
2032					2,515,000	198,225		
2033					1,890,000	85,050		
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	\$ 2,840,000	\$ 312,400	\$80,090,000	\$14,101,450	\$ 91,825,000	\$ 37,945,438	\$ 3,720,000	\$137,385

January 30, 2012		March 7, 2013		August 14, 2013		April 19, 2016	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
-	78,100	8,485,000	3,399,300	6,750,000	3,954,313	890,000	52,824
-	78,100	9,315,000	3,059,600	7,500,000	3,684,313	770,000	40,186
-	78,100	10,290,000	2,594,150	-	3,384,313	995,000	29,252
2,840,000	78,100	11,335,000	2,079,650	-	3,384,313	1,065,000	15,123
-	-	12,335,000	1,626,250	650,000	3,384,313		
		13,530,000	1,009,500	875,000	3,358,313		
		14,800,000	333,000	1,110,000	3,323,313		
				15,635,000	3,267,813		
				7,215,000	2,486,063		
				7,920,000	2,197,463		
				8,670,000	1,880,663		
				9,470,000	1,533,863		
				10,345,000	1,131,388		
				11,280,000	691,725		
				2,515,000	198,225		
				1,890,000	85,050		
<hr/>							
\$ 2,840,000	\$ 312,400	\$80,090,000	\$14,101,450	\$ 91,825,000	\$ 37,945,438	\$ 3,720,000	\$137,385

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STATISTICAL SECTION



Original Bend High School, view from front

STATISTICAL SECTION CONTENTS

This part of Administrative School District No. 1's statistical comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Financial Trends.....79-86

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity.....87-88

These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

Debt Capacity89-96

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information.....97-98

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information.....99-105

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

Administrative District No. 1
Deschutes County, Oregon
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities					
Net Investment in Capital Assets	\$ 70,806	\$ 75,762	\$87,553	\$ 96,467	\$ 106,451
Restricted	10,808	12,380	9,902	8,996	6,050
Unrestricted	<u>1,513</u>	<u>2,497</u>	<u>1,773</u>	<u>3,149</u>	<u>1,857</u>
Total governmental activities net position	<u>\$ 83,127</u>	<u>\$ 90,639</u>	<u>\$99,228</u>	<u>\$108,612</u>	<u>\$ 114,358</u>

As Restated 2013	As Restated 2014	As Restated 2015	2016	2017
\$ 99,681	\$103,831	\$111,248	\$118,403	\$127,030
7,685	8,567	8,557	25,671	15,040
<u>10,497</u>	<u>7,081</u>	<u>(58,038)</u>	<u>(116,242)</u>	<u>(119,895)</u>
<u>\$ 117,863</u>	<u>\$ 119,479</u>	<u>\$ 61,767</u>	<u>\$ 27,832</u>	<u>\$ 22,175</u>

Administrative District No. 1
Deschutes County, Oregon
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

	Fiscal Year				
	2008	2009	2010	2011	2012
Expenses					
Governmental activities					
Regular instruction	\$ 62,788	\$ 64,627	\$ 60,911	\$ 62,037	\$ 62,873
Special programs including summer school	21,262	22,407	22,741	23,071	23,295
Students	8,227	9,298	9,457	9,463	9,834
Instructional staff	3,768	4,286	4,428	4,222	4,743
General administration	618	577	610	625	673
School administration	8,357	8,768	8,356	8,615	8,703
Business, transportation and maintenance	20,289	21,119	19,907	20,659	20,837
Central activities	4,668	5,133	5,016	4,832	5,465
Supplemental retirement program	2,459	2,504	2,618	2,592	2,571
Food services	4,814	4,923	4,840	5,225	5,626
Other enterprise and community services	456	643	651	686	783
Interest on long-term liabilities	13,222	13,066	13,004	12,340	11,659
Total governmental activities	<u>150,928</u>	<u>158,570</u>	<u>152,539</u>	<u>154,367</u>	<u>157,062</u>
Program revenues					
Governmental activities					
Charges for services					
Regular instruction	3,540	3,437	3,519	3,272	3,289
Special programs including summer school	-	-	-	-	-
Business, transportation and maintenance	1,122	1,069	796	767	755
Food services	1,833	1,661	1,477	1,358	1,340
Other enterprise and community services	353	274	264	234	254
Operating grants and contributions	14,053	22,008	20,906	20,650	20,398
Capital grants and contributions	4,152	446	488	489	429
Total governmental activities program revenues	<u>25,053</u>	<u>28,895</u>	<u>27,450</u>	<u>26,770</u>	<u>26,465</u>
Total governmental net expense	<u>(125,875)</u>	<u>(129,675)</u>	<u>(125,089)</u>	<u>(127,597)</u>	<u>(130,597)</u>
General revenues and other changes in net position					
Governmental activities					
Property taxes levied for:					
General purposes	50,844	54,576	56,571	56,293	55,824
Debt service	16,730	17,813	20,806	21,857	19,292
Federal aid not restricted to specific purposes	678	610	547	2,165	293
State aid not restricted to specific purposes	58,754	57,735	50,449	51,280	56,639
Intermediate aid not restricted to specific purposes	1,990	2,062	1,865	1,699	1,492
Earnings on investments	7,802	2,355	631	315	274
Other local revenue	2,782	2,037	2,809	3,372	2,528
Total governmental activities	<u>139,580</u>	<u>137,188</u>	<u>133,678</u>	<u>136,981</u>	<u>136,342</u>
Change in net position					
Governmental activities	<u>\$ 13,705</u>	<u>\$ 7,513</u>	<u>\$ 8,589</u>	<u>\$ 9,384</u>	<u>\$ 5,745</u>

Fiscal Year				
As restated	As restated	As restated		
2013	2014	2015	2016	2017
\$ 65,480	\$72,461	\$74,280	\$81,791	\$81,756
24,177	25,089	23,932	23,739	25,782
10,256	10,541	10,070	10,740	11,461
5,004	5,800	6,066	6,012	6,244
655	661	740	737	746
9,002	9,765	9,478	10,640	10,450
21,944	22,667	3,232	75,610	50,235
4,634	4,941	3,968	6,261	7,015
2,527	2,493	676	507	394
5,560	5,764	5,804	6,344	6,217
1,252	1,525	1,606	1,713	1,767
<u>23,007</u>	<u>14,275</u>	<u>12,965</u>	<u>12,304</u>	<u>12,416</u>
<u>173,498</u>	<u>175,982</u>	<u>152,817</u>	<u>236,398</u>	<u>214,484</u>
3,447	3,588	3,634	3,985	834
-	-	-	-	-
819	977	932	965	927
1,369	1,401	1,443	1,633	1,869
316	353	350	340	315
17,267	17,538	19,425	18,203	18,776
707	670	636	662	713
<u>23,925</u>	<u>24,527</u>	<u>26,420</u>	<u>25,788</u>	<u>23,433</u>
<u>(149,573)</u>	<u>(151,455)</u>	<u>(126,397)</u>	<u>(210,610)</u>	<u>(191,051)</u>
55,777	59,048	63,524	67,577	71,211
18,498	18,791	20,383	21,312	22,118
286	284	190	242	-
59,337	69,610	75,139	82,316	84,340
1,411	1,828	2,003	2,198	2,497
208	1,138	470	390	610
2,882	2,373	2,349	2,639	4,618
<u>138,399</u>	<u>153,072</u>	<u>164,058</u>	<u>176,674</u>	<u>185,394</u>
<u>\$ (11,174)</u>	<u>\$ 1,617</u>	<u>\$ 37,661</u>	<u>\$ (33,936)</u>	<u>\$ (5,657)</u>

Administrative District No. 1
Deschutes County, Oregon
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

	Fiscal year				
	2008	2009	2010	2011	2012
General fund					
Reserved	\$ 73	\$ -	\$ -	\$ -	\$ -
Unreserved	7,121	-	-	-	-
Nonspendable	-	146	225	198	202
Restricted	-	2,426	420	343	206
Assigned	-	9,989	7,847	8,676	8,466
Unassigned	-	1,504	4,499	4,863	5,091
Total general fund	<u>7,194</u>	<u>14,065</u>	<u>12,991</u>	<u>14,080</u>	<u>13,965</u>
All other governmental funds					
Reserved	1,752	-	-	-	-
Unreserved, reported in:					
Special revenue fund	3,618	-	-	-	-
Capital project fund	77,233	-	-	-	-
Nonspendable, reported in:					
Special revenue fund	-	348	378	432	416
Restricted, reported in:					
Special revenue fund	-	1,073	1,408	1,523	2,250
Debt service fund	-	367	1,575	2,476	1,756
Capital project fund	-	44,752	17,218	3,594	1,188
Assigned, reported in:					
Special revenue fund	-	1,244	2,406	2,645	2,601
Total all other governmental funds	<u>\$ 82,603</u>	<u>\$ 47,784</u>	<u>\$ 22,985</u>	<u>\$ 10,670</u>	<u>\$ 8,211</u>

In 2010, the Districted adopted GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement changed the categories for reporting fund balance in governmental funds, and required retroactive reporting for any fiscal year presented as part of the basic financial statements. Accordingly, 2009 and 2010 are reported in this manner for statistical purposes.

Fiscal year				
2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
167	857	1,397	1,010	1,740
312	311	815	905	117
4,954	3,629	5,664	6,160	7,978
5,949	5,332	3,926	5,454	1,785
<u>11,382</u>	<u>10,130</u>	<u>11,803</u>	<u>13,530</u>	<u>11,620</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
406	366	331	376	415
2,356	2,657	3,076	3,360	4,221
3,701	2,784	2,272	2,511	1,937
955	84,114	34,888	18,895	8,334
<u>1,698</u>	<u>1,888</u>	<u>2,212</u>	<u>2,710</u>	<u>2,890</u>
<u>\$ 9,116</u>	<u>\$ 91,809</u>	<u>\$ 42,779</u>	<u>\$ 27,852</u>	<u>\$ 17,797</u>

Administrative District No. 1
Deschutes County, Oregon
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

	Fiscal year				
	2008	2009	2010	2011	2012
Revenues					
Property taxes	\$ 66,235	\$ 70,667	\$ 77,167	\$ 78,352	\$ 76,013
Tuition	149	153	472	542	636
Revenue from local governments	3,819	-	-	-	-
Investment earnings	7,802	2,355	631	315	274
Other Local sources (including indirect cost allocation)	10,679	10,691	11,363	10,682	11,538
Intermediate sources	1,991	2,095	1,932	1,699	1,597
State sources	62,930	64,123	52,536	54,051	61,067
Federal sources	10,009	14,626	17,231	18,783	13,677
Total revenues	163,614	164,710	161,331	164,424	164,802
Expenditures					
Current					
Instruction	79,793	80,991	76,830	78,506	79,519
Support services (including indirect cost allocation)	47,030	49,243	48,899	49,029	51,236
Community services (including indirect cost allocation)	5,150	5,396	5,381	5,952	6,581
Facilities acquisition and construction	-	-	-	-	-
Debt service:					
Principal	12,418	11,301	13,864	15,778	18,004
Interest	12,214	11,942	12,225	11,787	11,023
Capital outlay	51,256	45,784	30,004	14,767	3,855
PERS UAL payment	-	-	-	-	-
Total expenditures	207,860	204,657	187,204	175,819	170,218
Revenues over (under) expenditures	(44,247)	(39,947)	(25,873)	(11,395)	(5,416)
Other Financing Sources (Uses)					
Refunding bonds issued	-	-	-	7,585	2,840
Payment to refunded bond escrow agent	-	-	-	(7,868)	-
Premium on bonds issued	-	-	-	452	-
General obligation bonds issued	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Lease purchase / long term loan proceeds	-	12,000	-	-	-
Total Other Financing Sources (uses)	-	12,000	-	169	2,840
Net change in fund balances	\$ (44,247)	\$ (27,947)	\$ (25,873)	\$ (11,226)	\$ (2,576)
Ratio of total debt service to noncapital expenditures	16%	15%	17%	17%	17%

Note: The figures in this chart include all funds presented on page 22 of the basic financial statements.

Fiscal year				
2013	2014	2015	2016	2017
\$ 75,662	\$78,346	\$84,294	\$88,977	\$93,175
731	842	931	8	3
-	-	-	-	-
208	421	376	390	610
11,321	12,269	12,263	13,021	15,446
1,525	1,929	2,303	2,642	2,866
60,668	71,169	77,342	85,964	86,094
14,749	13,706	14,579	12,613	11,419
164,864	178,682	192,088	203,615	209,612
82,921	90,667	97,324	101,799	103,828
51,678	54,895	55,626	59,016	63,043
6,987	7,472	7,969	8,545	8,492
-	-	-	-	727
13,588	13,143	14,339	15,617	17,465
24,360	13,269	13,644	13,315	12,979
4,611	14,352	50,817	22,696	14,612
-	-	-	-	-
184,145	193,798	239,719	220,988	221,146
(19,281)	(15,116)	(47,631)	(17,373)	(11,534)
-	91,825	-	-	-
-	-	-	-	-
14,404	4,732	-	-	-
-	-	-	4,175	-
-	-	272	-	-
3,200	-	-	-	-
17,604	96,557	272	4,175	-
\$ (1,677)	\$ 81,441	\$ (47,359)	\$ (13,198)	\$ (11,534)
21%	15%	15%	15%	15%

Administrative District No. 1
Deschutes County, Oregon
Assessed Value and Estimated Value of Taxable Property in Deschutes County
Last Ten Fiscal Years
(in thousands of dollars)

	<u>Real Property</u>		<u>Personal Property</u>		<u>Manufactured Homes</u>	
<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>	<u>Assessed</u> <u>Value</u>	<u>Estimated</u> <u>Actual Value</u>
2017	20,943,309	31,302,357	451,004	451,007	65,759	79,422
2016	19,847,234	27,721,055	415,663	415,679	60,520	70,526
2015	18,803,090	24,717,972	393,213	393,227	53,660	58,261
2014	17,812,786	21,290,547	372,149	372,148	47,241	50,377
2013	17,006,004	20,134,879	376,567	376,567	42,964	45,308
2012	16,786,626	20,692,642	390,053	390,053	44,522	47,327
2011	16,875,389	22,613,760	411,330	411,330	48,228	51,783
2010	16,729,496	32,244,472	439,296	439,299	54,578	60,723
2009	15,988,780	36,759,449	466,756	466,839	55,989	61,302
2008	15,020,692	36,089,166	415,380	415,548	58,898	65,957

Source:

Valuation information has been obtained from the Deschutes County Assessor, and includes all property within Deschutes County.

Note: The range of total direct tax rates paid is presented, rather than a weighted average for each type of property. Tax rates are applied by property location and type. We are unable to obtain direct rate information by type within locations, so calculating the weighted average direct rate is impractical.

Public Utilities		Exemptions	Total		Assessed Value Range of Total as a Percentage of Estimated	
Assessed Value	Estimated Actual Value	Assessed Value	Taxable Assessed Value	Estimated Actual Value	Direct Tax Rates Paid	Actual Value
560,616	582,833	45,078	21,975,610	32,370,540	2.8011-6.1111	68.027%
652,906	677,075	43,032	20,933,290	28,841,302	2.8098-6.1636	72.730%
475,914	492,477	39,804	19,686,343	25,322,403	2.7502-6.1111	77.900%
411,711	455,805	36,566	18,637,322	22,132,314	2.7919-6.2769	84.374%
429,361	445,442	34,370	17,820,526	21,002,196	2.9121-6.2710	85.014%
438,134	453,696	33,166	17,626,169	21,583,718	2.8818-6.2468	81.818%
436,787	450,305	31,009	17,740,725	23,527,178	2.8947-6.2598	75.537%
417,996	430,990	28,577	17,612,789	33,146,907	2.7805-6.2059	53.222%
388,838	403,899	25,803	16,874,560	37,691,489	2.9170-6.1060	44.839%
352,616	369,411	23,638	15,823,948	36,940,082	2.6780-5.8087	42.901%

Administrative District No. 1
Deschutes County, Oregon
Property Tax Rates - All Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Administrative School District No. 1	Deschutes County	High Desert ESD	City of Bend	Central Oregon Community College	Bend Parks & Recreation	City of La Pine	La Pine Park & Recreation	Sunriver Service District	LaPine RFPD	Sunriver Library CSD	Total
2017	6.22	4.75	0.10	3.19	0.74	1.63	1.98	0.30	3.31	2.41	0.00	24.63
2016	6.23	4.76	0.10	3.20	0.74	1.63	1.98	0.30	3.31	2.47	0.04	24.76
2015	6.26	4.70	0.10	3.22	0.75	1.66	1.98	0.30	3.31	2.41	0.05	24.74
2014	6.20	4.74	0.10	3.03	0.75	1.67	1.93	0.30	3.31	2.37	0.05	24.45
2013	6.23	4.86	0.10	3.07	0.75	1.46	1.90	0.30	3.31	2.37	0.05	24.40
2012	6.36	4.83	0.10	3.05	0.75	1.46	1.80	0.30	3.31	2.34	0.06	24.36
2011	6.58	4.84	0.10	3.08	0.73	1.46	1.80	0.30	3.31	2.33	0.06	24.59
2010	6.52	4.88	0.10	3.16	0.62	1.46	1.80	0.30	3.22	2.37	0.06	24.48
2009	6.36	4.87	0.10	3.16	0.71	1.46	1.80		3.13	1.71	0.06	23.36
2008	6.32	4.63	0.10	3.15	0.71	1.46	1.88		3.07	1.70	0.06	23.09

Source:

Property tax rates have been obtained from the Deschutes County Assessor; rates are per \$1,000 of assessed value.

Notes:

The tax rates for all districts include the amount needed to service bonded long-term debt.
The District's operating tax rate is set by Oregon State Statute and cannot be increased by the District.

Major Taxpayers
Administrative District No. 1 (Bend-La Pine)
As of June 30, 2017

Taxpayer	Type of Business	Tax	Assessed Value	Percent of Value
TDS Baja Bendbroadband LLC	Telecommunications	\$ 1,352,328	\$ 91,946,000	0.59%
Pacificorp (P P&I)	Electrical Utility	879,505	61,488,000	0.39%
Touchmark at Mount Bachelor Village, LLC	Resort Retirement Community	698,132	45,800,260	0.29%
Gas Transmission Northwest	Natural Gas Utility	660,934	56,521,100	0.36%
Cascade Natural Gas Corp	Natural Gas Utility	647,046	44,854,000	0.29%
CVSC LLC	Trader Joes Grocery	610,837	40,163,320	0.26%
Suterrria LLC	Pest Control products	597,116	45,298,850	0.29%
Deschutes Brewery Inc.	Brewry and restaurant	563,824	37,997,845	0.24%
Sunriver Resort Limited	Vacation Resort	493,264	36,838,900	0.24%
Century Link	Telecommunications	439,893	30,551,000	0.20%
Subtotal-ten of District's largest taxpayers			491,459,275	3.15%
All other District's taxpayers			15,125,527,636	96.85%
Total District			<u>\$15,616,986,911</u>	<u>100.00%</u>

Major Taxpayers
Deschutes County
As of June 30, 2017

Taxpayer	Type of Business	Tax	Assessed Value	Percent of Value
TDS Baja Bendbroadband LLC	Telecommunications	\$ 1,513,688	\$ 101,773,000	0.46%
Pacificorp (P P&I)	Electrical Utility	1,325,057	89,081,000	0.41%
Gas Transmission NW Corp.	Natural Gas Utility	838,535	68,905,300	0.31%
Cascade Natural Gas Corp.	Natural Gas Utility	828,898	55,547,000	0.25%
Touchmark at Mount Bachelor Village, LLC	Resort Retirement Community	698,131	45,800,260	0.21%
Century Link	Telecommunications	618,863	42,571,100	0.17%
CVSC LLC	Trader Joes Grocery	610,836	40,163,320	0.14%
Suterrria LLC	Pest Control products	597,115	45,298,850	0.19%
Deschutes Brewery Inc.	Brewry and restaurant	563,823	37,997,845	0.21%
Wal-Mart Stores Inc	Retail Store	528,732	31,308,850	0.14%
Subtotal-ten of County's largest taxpayers			558,446,525	2.54%
All other County's taxpayers			21,417,163,567	97.46%
Total District			<u>\$21,975,610,092</u>	<u>100.00%</u>

Administrative District No. 1
Deschutes County, Oregon
Property Tax Levies and Collections
Levies for Operations and Debt Service
Last Ten Fiscal Years

Collected within the Fiscal Year of the Levy	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	96,003,356	91,614,978	95.4%		91,614,978	95.4%
2016	91,728,870	87,438,223	95.3%	673,894	88,112,117	96.1%
2015	85,961,207	82,295,410	95.7%	798,588	83,093,998	96.7%
2014	79,721,283	76,157,930	95.5%	939,576	77,097,506	96.7%
2013	76,044,654	72,106,750	94.8%	947,513	73,054,263	96.1%
2012	76,472,977	72,081,257	94.3%	1,480,217	73,561,474	96.2%
2011	79,959,406	74,503,043	93.2%	1,745,874	76,248,917	95.4%
2010	79,075,834	73,183,473	92.5%	3,260,811	76,444,284	96.7%
2009	74,033,210	67,886,285	91.7%	4,715,693	72,601,978	98.1%
2008	69,151,321	64,410,176	93.1%	2,713,484	67,123,660	97.1%

Source:

Levy information was obtained from Deschutes County

Administrative District No. 1
Deschutes County, Oregon
Computation of Direct and Overlapping Debt
June 30, 2017

Jurisdiction	Gross Bonded Debt Outstanding	Percentage Applicable to ASD No. 1	Amount Applicable to ASD No. 1
Bend Metro Park & Rec District	\$ 29,380,364	100.00%	\$ 29,380,364
Central Oregon Community College	63,134,079	61.32%	38,711,923
Central Oregon Regional Housing Authority	4,532,529	72.67%	3,293,703
City of Bend	75,650,801	100.00%	75,650,801
City of La Pine	415,000	100.00%	415,000
Deschutes County	58,611,013	72.67%	42,591,510
Deschutes Cty RFPD 2 (Bend)	1,170,000	74.32%	869,553
Deschutes Public Library District	365,000	72.67%	265,239
HFA Deschutes County	111,750,000	72.67%	81,206,602
High Desert ESD	10,949,035	66.62%	7,294,138
LaPine Parks & Recreation District	410,000	100.00%	410,000
Subtotal, overlapping debt			280,088,833
Administrative School Dist No. 1 direct debt			<u>259,833,971</u>
Total direct and overlapping debt			<u><u>\$ 539,922,804</u></u>

Source:

The gross debt outstanding and the percentage applicable has been obtained from the Oregon State Treasury
Percentage applicable to the District is the ratio of the district boundary to the entire area subject to the debt.

Note:

Gross Bonded Debt Outstanding does not include Self-supporting Unlimited-tax General Obligation bonds and
Self-supporting Full Faith and Credit debt.

Administrative District No. 1
Deschutes County, Oregon
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Percentage of		
	General Obligation Bonds	Full Faith & Credit Obligations	Loans	Capital Leases	Premium on Bonds	Total	Personal Income	Per Capita
2017	\$175,635,000	\$68,512,872	\$2,322,093		\$13,364,007	\$259,833,971	N/A	1,471
2016	190,155,000	71,684,756	2,950,381	-	14,317,119	279,107,256	N/A	1,635
2015	198,705,000	74,441,297	3,560,201	-	16,125,570	292,832,068	3.76%	1,760
2014	210,210,000	76,817,698	4,152,153	-	17,932,655	309,112,506	4.35%	1,902
2013	128,755,000	78,846,876	4,731,544	-	15,022,927	227,356,347	3.43%	1,420
2012	139,585,000	80,568,695	2,147,182	-	2,942,105	225,242,983	3.57%	1,418
2011	152,475,000	81,945,640	2,408,130	-	3,196,070	240,024,840	4.04%	1,520
2010	166,015,000	74,910,931	11,152,271	-	3,015,192	255,093,394	4.50%	1,623
2009	177,755,000	75,220,518	12,000,000	-	3,279,460	268,254,978	4.70%	1,732
2008	187,880,000	75,320,285	-	-	3,557,980	266,758,265	4.73%	1,577

Sources:

Personal and per capita income numbers were obtained from the Bureau of Economic Analysis

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**Administrative District No. 1
Deschutes County, Oregon
Legal Debt Margin Information
Last Ten Fiscal Years
(in thousands)**

Debt limit by Oregon State Law is 7.95% of real market value.

Computation of debt limit:	2017	2016	2015	2014	2013
Real market value	\$23,788,200	\$21,279,466	\$ 18,608,982	\$ 16,076,707	\$15,123,058
Debt limit = Real market value X .0795 =	1,891,162	1,691,718	1,479,414	1,278,098	1,202,283

Computation of debt margin:

Total General obligation bonds	175,635	190,155	198,705	210,210	128,755
Less assets available in debt service fund	<u>(1,937)</u>	<u>(2,510)</u>	<u>(2,272)</u>	<u>(2,783)</u>	<u>(3,701)</u>
Total amount of debt subject to debt limit	<u>173,698</u>	<u>187,645</u>	<u>196,433</u>	<u>207,427</u>	<u>125,054</u>
Legal debt margin	<u>\$ 1,717,464</u>	<u>\$ 1,504,073</u>	<u>\$ 1,282,981</u>	<u>\$ 1,070,671</u>	<u>\$ 1,077,229</u>
Ratio of legal debt margin to the debt limit	91%	89%	87%	84%	90%

Source:

Debt limitation formula has been obtained from Oregon Revised Statutes 328.245 (1), (2).

Real market value was obtained from Deschutes County

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$15,382,464	\$16,728,771	\$23,471,846	\$26,716,128	\$26,299,093
1,222,906	1,329,937	1,866,012	2,123,932	2,090,778
139,585	152,475	166,015	177,755	187,880
<u>(1,756)</u>	<u>(2,476)</u>	<u>(1,575)</u>	<u>(367)</u>	<u>(1,428)</u>
<u>137,829</u>	<u>149,999</u>	<u>164,440</u>	<u>177,388</u>	<u>186,452</u>
<u>\$ 1,085,077</u>	<u>\$ 1,179,938</u>	<u>\$ 1,701,571</u>	<u>\$ 1,946,544</u>	<u>\$ 1,904,326</u>
89%	89%	91%	92%	91%

Administrative District No. 1
Deschutes County, Oregon
Ratio of Net Bonded Debt to Real Market Value
and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year Ended	Gross Bonded	Debt Service		Ratio of Net	
June 30,	Debt	Fund Balance	Net Bonded Debt	Bonded Debt to Real Market Value	Net Bonded Debt Per Capita
2017	\$175,635,000	\$1,937,200	\$173,697,800	0.54%	983
2016	190,155,000	2,510,423	187,644,577	0.65%	1,099
2015	198,705,000	2,271,973	196,433,027	0.78%	1,180
2014	210,210,000	2,783,953	207,426,047	0.72%	1,276
2013	128,755,000	3,701,248	125,053,752	0.53%	781
2012	139,585,000	1,756,057	137,828,943	0.59%	868
2011	152,475,000	2,475,651	149,999,349	0.64%	950
2010	166,015,000	1,574,675	164,440,325	0.70%	987
2009	177,755,000	367,070	177,387,930	0.66%	1,085
2008	187,880,000	1,427,953	186,452,047	0.71%	1,146

Sources:

Population numbers come from Economic Development for Central Oregon (EDCO).

Real market value comes from Deschutes County

Administrative District No. 1
Deschutes County, Oregon
Demographic and Economic Statistics
Last Ten Fiscal Years

Calendar		Unemployment	Per capita	Total Personal	Civilian	Average Daily	Annual Cost
Year	Population	Rate	Income	Income	Labor Force	Membership	Per ADM
2017	176,635	3.7%	Not Available	Not Available	93,336	17,873	12,001
2016	170,740	5.1%	Not Available	Not Available	88,985	17,446	13,476
2015	166,400	6.2%	Not Available	\$7,788,057,000	81,325	16,467	9,201
2014	162,525	8.1%	Not Available	7,100,843,000	77,925	16,051	10,883
2013	160,140	10.8%	Not Available	6,636,813,000	80,505	15,763	10,973
2012	158,875	11.8%	Not Available	6,313,477,000	80,234	15,463	10,157
2011	157,905	13.5%	Not Available	5,946,000,000	80,246	15,380	10,037
2010	157,211	14.8%	\$36,449	5,666,000,000	80,258	15,091	10,108
2009	154,920	15.3%	35,966	5,705,290,000	86,588	15,137	10,476
2008	150,113	7.1%	35,728	5,635,347,000	83,364	15,027	10,044

Sources:

Unemployment rate and labor force information is for Deschutes County and was obtained from the Oregon Employment Department - Oregon Labor Market Information System (OLMIS).

Population numbers come from Economic Development for Central Oregon (EDCO). 2009 and 2010 populations are an estimate, using population projections provided by PSU.

Personal and per capita income numbers came from the Bureau of Economic Analysis

**Administrative District No. 1
Deschutes County, Oregon
Ten largest employers
Current Year and Nine Years Ago**

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employees	Employees	Rank	Percentage of Total County Employees
St Charles Medical Center	3,976	1	4.86%	-	-	-
Administrative School District No. 1	1,880	2	2.30%	1,888	2	2.54%
Deschutes County	1,062	3	1.30%	1,051	3	1.42%
Sunriver Resort	1,000	4	1.22%	950	4	1.28%
COCC	936	5	1.14%	-	-	-
Safeway	850	6	1.04%	-	-	-
Redmond School District	824	7	1.01%	759	7	1.02%
Mt Bachelor	770	8	0.94%	886	5	1.19%
Fred Meyer	652	9	0.80%	-	-	-
Bend Memorial Clinic	617	10	0.75%	510	9	0.69%
Cascade Health Corp	-	-	-	3,088	1	4.16%
T-Mobile	-	-	-	824	6	1.11%
Jeld Wen	-	-	-	430	10	0.58%
iSky	-	-	-	564	8	0.76%
	<u>12,567</u>		<u>15.35%</u>	<u>10,950</u>		<u>14.76%</u>

Sources: Economic Development for Central Oregon, Oregon Department of Education,
Deschutes County Finance Department

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Administrative District No. 1
Deschutes County, Oregon
Full-time Equivalent Employees by Function
Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Function:					
Regular instruction	687.54	695.60	639.05	630.59	618.49
Special programs including summer school	310.15	300.97	304.61	304.18	285.02
Student services	113.55	119.38	125.62	122.78	119.06
Instructional staff	37.03	38.81	41.42	40.52	40.26
General administration	2.00	2.00	2.23	2.23	2.23
School administration	105.76	105.53	104.36	107.14	105.30
Business, transportation and maintenance	211.91	211.59	216.63	218.19	202.56
Central activities	36.43	36.15	34.03	32.66	32.52
Food services	59.33	59.06	57.65	62.99	65.53
Other enterprise and community services	7.27	10.49	10.05	10.60	10.89
Facilities acquisition and construction	<u>7.20</u>	<u>7.20</u>	<u>6.45</u>	<u>4.20</u>	<u>2.70</u>
Total	<u>1,578.17</u>	<u>1,586.78</u>	<u>1,542.10</u>	<u>1,536.08</u>	<u>1,484.57</u>

Source:

Information was obtained from District's payroll records

Note:

FTE is as of June 1 and does not include vacant positions.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
623.15	661.80	685.49	735.75	753.66
285.22	285.56	288.27	289.91	301.11
122.17	120.27	124.09	127.92	133.5
42.08	48.25	50.65	53.16	54.95
2.00	2.00	2.00	2.00	2.00
105.99	111.14	115.10	127.05	119.38
206.52	210.97	210.30	217.76	229.86
31.11	31.26	32.88	38.42	40.3
64.12	63.65	68.90	69.96	71.29
12.60	13.53	13.91	13.54	12.37
<u>2.50</u>	<u>3.80</u>	<u>6.00</u>	<u>5.00</u>	<u>5.00</u>
<u><u>1,497.46</u></u>	<u><u>1,552.23</u></u>	<u><u>1,597.58</u></u>	<u><u>1,680.47</u></u>	<u><u>1,723.42</u></u>

**Administrative District No. 1
Deschutes County, Oregon
Operating Indicators by Function
Last Ten Fiscal Years**

	2008	2009	2010	2011	2012
Function:					
Instruction					
Enrollment	15,607	15,951	15,834	16,161	16,300
Transportation					
Number of busses	116	117	118	121	133
Miles driven per year	1,696,668	1,753,574	1,705,606	1,716,585	1,535,703
Cost per mile	3.89	3.91	3.92	3.95	4.40
Students transported to school daily	7,255	7,563	6,648	6,824	5,221
Food services					
Free lunch participants	4,156	4,398	5,876	6,184	6,504
Reduced lunch participants	1,265	1,267	1,162	990	1,117
Percent free/reduced of total enrollment	35%	36%	44%	44%	47%

Source:

Information was obtained from the District's transportation and food service departments

Enrollment is as of October 1 of each fiscal year

*Food Services - 2017 Six schools were a Community Eligibility Provision school - no counts taken.

2013	2014	2015	2016	2017
16,600	16,863	17,163	17,534	18,034
133	133	130	139	134
1,636,654	1,679,498	1,580,045	1,951,595	1,733,345
4.06	4.31	4.54	3.64	4.31
5,232	5,361	4,705	4,595	4,945
6,427	6,404	4,701	4,371	4,034
1,021	992	953	1,007	1,002
45%	44%	33%	31%	28%

Administrative District No. 1
Deschutes County, Oregon
Capital Asset Statistics by Function
Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Function:					
Instruction					
Number of elementary schools	14	15	16	17	17
Number of middle schools	5	5	5	5	5
Number of high schools schools	5	5	5	5	5
Elementary school enrollment	7,085	7,004	6,967	7,214	7,301
Middle school enrollment	3,344	3,637	3,640	3,679	3,669
High school enrollment	5,178	5,300	5,227	5,268	5,330
General administration					
Number of buildings	1	1	1	1	1
Business, transportation and maintenance					
Number of buildings	4	4	4	4	4

Source:

Information was obtained from the District's capital asset and student enrollment records

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
17	17	17	18	18
5	5	5	7	7
5	5	5	5	5
7,522	7,719	7,827	8,046	8,260
3,713	3,785	3,862	3,962	4,125
5,365	5,359	5,474	5,526	5,649
1	1	1	1	1
4	4	4	4	4

Administrative District No. 1
Deschutes County, Oregon
School Building Capacity and Enrollment
As of June 30, 2017

Building	Enrollment	Capacity without modular classrooms	Percent of Capacity	Year of Building Construction
Elementary Schools:				
Amity Creek	170	150	113%	1948
Bear Creek	616	600	103%	1963
Buckingham	587	600	98%	1980
Ensworth	225	300	75%	2005
Elk Meadow	551	600	92%	1993
Highland	390	375	104%	1918
High Lakes	641	600	107%	2000
Jewell	544	600	91%	1974
Juniper	535	560	96%	1965
LaPine	387	600	65%	1993
Lava Ridge	619	600	103%	1994
Pine Ridge	516	600	86%	2004
Ponderosa	619	600	103%	2008
Rosland	185	300	62%	2010
Silver Rail	429	600	72%	2015
Westside Village (K-8)	271	382	71%	1949
William E Miller	613	600	102%	2009
Three Rivers (K-8)	417	450	93%	1989
Total	8,315	9,117	91%	
Middle Schools:				
Cascade	630	800	79%	1978
High Desert	760	800	95%	1993
Pilot Butte	708	825	86%	1967
Pacific Crest	694	800	87%	2015
LaPine	295	550	54%	1978
REALMS	154	150	103%	1991
Skyview	667	800	83%	2000
Total	3,908	4,725	83%	
High Schools:				
Bend	1,771	1,550	114%	1956
LaPine	409	550	74%	1961
Marshall	167	200	84%	1948
Mountain View	1,464	1,500	98%	1978
Summit	1,538	1,500	103%	2000
Total	5,349	5,300	101%	

Note:

Enrollment is as of October 1, 2017

Many buildings have undergone remodels since original construction

Information obtained from District's student enrollment and capital asset records

OTHER INFORMATION



**Kenwood School, built 1918
Currently houses Highland Magnet School.**

SUPPLEMENTARY INFORMATION

SCHEDULES REQUIRED BY

OREGON DEPARTMENT OF EDUCATION

Administrative School District No. 1
Deschutes County, Oregon
Schedule of Revenues (Budgetary Basis) by object
Year Ended June 30, 2017

	<u>Fund 100</u>	<u>Fund 200</u>	<u>Fund 300</u>
Revenue from Local Sources			
1110 - Current Year Taxes	\$ 71,057,615	\$ -	\$ 22,117,524
1200 - Revenue from other local govt	-	-	-
1311 - Tuition From Individuals	1,511	-	-
1330 - Summer Sch Tuition Individuals	1,650	-	-
1500 - Interest on Investments	425,880	18,742	100,817
1600 - Meal Tickets Sales	-	1,869,065	-
1700 - Extracurricular Activities	477,947	3,392,810	-
1910 - Scheduling Fee	314,955	-	-
1920 - Contributions Donations	-	1,029,286	-
1960 - Recovery of Pr Yr Expenditures	-	(400)	15,093
1970 - Services Provided Other Funds	457,305	668,653	-
1980 - Fees Charged to Grants	512,905	-	-
1990 - Miscellaneous	<u>2,330,429</u>	<u>1,881,432</u>	<u>363,598</u>
Total Revenue from Local Sources	75,580,195	8,859,589	22,597,032
Revenue from Intermediate Sources			
2101 - County School Funds	\$ 265,779	\$ -	\$ -
2102 - ESD Apportionment	<u>2,167,652</u>	<u>432,348</u>	<u>-</u>
Total Revenue from Intermediate Sources	2,433,431	432,348	-
Revenue from State Sources			
3101 - State School Fund	\$ 75,606,994	\$ -	\$ 6,570,350
3102 - State School Fund Lunch Match	-	52,939	-
3103 - Common School Fund	2,076,263	-	-
3199 - Othr Unrest Grants in Aid	33,336	-	-
3222 - State School Fund Trans Equip	713,223	-	-
3299 - Other Restricted Grants In Aid	<u>489,648</u>	<u>550,958</u>	<u>-</u>
Total Revenue from State Sources	78,919,464	603,897	6,570,350
Revenue from Federal Sources			
4300 - Restricted Fed Revenue Direct	\$ -	\$ 1,427	\$ -
4500 - Restricted Fed Rev Thru State	78,982	11,338,572	-
4801 - Federal Forest Fees	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue from Federal Sources	78,982	11,339,999	-
Revenue from Other Sources			
5300 - Sale of Fixed Asset	\$ 41,419	\$ -	\$ -
5200 - Interfund Transfers	-	-	-
5400 - Reserved FB for Inventories	<u>13,530,166</u>	<u>6,446,896</u>	<u>2,510,423</u>
Total Revenue from Other Sources	13,571,585	6,446,896	2,510,423
Total Revenues	<u>\$ 170,583,657</u>	<u>\$ 27,682,728</u>	<u>\$ 31,677,805</u>

<u>Fund 400</u>	<u>Fund 500</u>	<u>Fund 600</u>	<u>Fund 700</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 93,175,138
-	-	-	-	-
-	-	-	-	1,511
-	-	-	-	1,650
64,311	-	-	591	610,341
-	-	-	-	1,869,065
-	-	-	-	3,870,757
-	-	-	-	314,955
-	-	-	31,469	1,060,755
-	-	-	-	14,693
-	-	-	-	1,125,958
-	-	-	-	512,905
<u>2,091,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,666,544</u>
2,155,395	-	-	32,059	109,224,271
\$ -	\$ -	\$ -	\$ -	\$ 265,779
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600,000</u>
-	-	-	-	2,865,779
\$ -	\$ -	\$ -	\$ -	\$ 82,177,344
-	-	-	-	52,939
-	-	-	-	2,076,263
-	-	-	-	33,336
-	-	-	-	713,223
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,040,606</u>
-	-	-	-	86,093,710
\$ -	\$ -	\$ -	\$ -	\$ 1,427
-	-	-	-	11,417,554
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	11,418,981
\$ -	\$ -	\$ -	\$ -	\$ 41,419
215,160	-	-	-	215,160
<u>18,894,715</u>	<u>-</u>	<u>-</u>	<u>87,413</u>	<u>41,469,613</u>
19,109,875	-	-	87,413	41,726,193
<u>\$ 21,265,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,473</u>	<u>\$ 251,328,934</u>

Administrative School District No. 1
Deschutes County, Oregon
General Fund Schedule of Expenditures by Function (Budgetary Basis)
Year Ended June 30, 2017

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>
Instruction			
1111 - Primary, K-3 Programs	\$ 22,920,373	\$ 10,832,081	\$ 1,276,240
1113 - Elementary Extracurricular	-	-	-
1121 - Middle School Programs	9,637,401	4,572,662	572,699
1122 - Middle School Extracurricular	444,841	92,259	32,412
1131 - High School Programs	11,046,352	5,083,293	482,063
1132 - High School Extracurricular	1,418,168	335,534	402,534
1210 - Talented and Gifted Programs	207,216	93,440	31,392
1220 - Restrictive Prog Fr Disability	4,880,616	2,764,076	400,275
1250 - Less Restrictive Prog Disabled	2,669,040	1,424,000	211,358
1280 - Alternative Education	1,330,330	630,304	5,394,298
1291 - English Second Language	1,275,706	551,023	67,463
1292 - Teen Parent Programs	160,178	83,248	11,191
1400 - Summer School Programs	<u>24,721</u>	<u>5,425</u>	<u>4,197</u>
Total Instruction	56,014,942	26,467,345	8,886,122
Support Services			
2110 - Attendance and Social Work	105,086	62,693	323,001
2120 - Guidance Services	3,341,906	1,491,148	110,745
2130 - Health Services	998,162	431,544	10,386
2140 - Psychological Services	819,052	372,081	83,907
2150 - Speech Pathology and Audiology	1,531,982	765,847	25,000
2190 - Service Dir, Stu Support Svcs	804,735	391,555	160,648
2210 - Improvement of Instruction Svc	1,248,846	503,160	138,309
2220 - Educational Media Services	1,013,012	575,049	38,011
2230 - Assessment and Testing	144,495	62,848	219,118
2240 - Instructional Staff Developmnt	57,212	16,126	301,912
2310 - Board of Education Services	21,581	10,708	216,973
2320 - Executive Administration Svcs	242,447	86,472	55,086
2410 - Office of the Principal Svcs	7,389,783	3,318,085	254,164
2490 - Other Support Services	28,831	11,517	-
2510 - Business Support Services	91,711	41,152	35,542
2520 - Fiscal Services	745,271	400,971	57,969
2540 - Oper/Maint of Plant Services	5,171,455	2,671,294	5,647,719
2550 - Student Transportation Svcs	3,403,248	2,056,805	706,297
2570 - Internal Services	397,141	188,008	205,035
2620 - R&D, Eval, Grant Writing Svcs	59,394	27,673	732
2630 - Information Services	142,862	42,014	31,186
2640 - Staff Services	710,502	588,082	227,040
2660 - Technology Services	<u>1,652,822</u>	<u>721,292</u>	<u>788,835</u>
Total Support Services	30,121,534	14,836,125	9,637,616
Enterprise and Community Services			
3300 - Community Services	<u>188,852</u>	<u>74,285</u>	<u>-</u>
Total Enterprise and Community Services	188,852	74,285	-
Other Uses			
5100 - Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Uses	-	-	-
Total General Fund	<u>\$ 86,325,329</u>	<u>\$ 41,377,756</u>	<u>\$ 18,523,738</u>

<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>	<u>Object 800</u>	<u>Totals</u>
\$ 1,591,067	\$ -	\$ 280	\$ -	\$ -	\$ 36,620,042
4,270	-	-	-	-	4,270
788,350	-	11,074	-	-	15,582,187
38,414	-	-	-	-	607,926
1,028,092	8,270	14,882	-	-	17,662,953
262,687	-	2,770	-	-	2,421,693
123	-	-	-	-	332,171
32,504	-	130	-	-	8,077,601
41,718	-	-	-	-	4,346,117
21,445	-	71	-	-	7,376,448
13,067	-	-	-	-	1,907,260
1,848	-	255	-	-	256,720
215	-	-	-	-	34,558
3,823,802	8,270	29,462	-	-	95,229,943
3,538	-	-	-	-	494,318
9,432	-	258	-	-	4,953,489
10,075	-	2,579	-	-	1,452,746
24,761	-	360	-	-	1,300,161
12,283	-	70	-	-	2,335,182
14,736	-	199	-	-	1,371,874
147,050	-	3,993	-	-	2,041,357
263,166	-	965	-	-	1,890,202
2,768	-	-	-	-	429,228
29,328	-	948	-	-	405,526
24,972	-	23,861	-	-	298,095
64,278	-	1,824	-	-	450,106
115,868	-	3,113	-	-	11,081,013
-	-	-	-	-	40,348
863	-	3,923	-	-	173,191
153,676	-	865,919	-	-	2,223,806
1,048,173	739,181	5,488	-	-	15,283,310
1,089,997	919,668	118,187	-	-	8,294,202
113,162	-	110,415	-	-	1,013,760
-	-	-	-	-	87,799
11,048	-	665	-	-	227,775
45,518	-	45,460	-	-	1,616,603
1,015,388	1,123,935	-	-	-	5,302,272
4,200,078	2,782,784	1,188,226	-	-	62,766,363
-	-	-	-	-	263,138
-	-	-	-	-	263,138
-	-	704,206	-	-	704,206
-	-	704,206	-	-	704,206
<u>\$ 8,023,879</u>	<u>\$ 2,791,054</u>	<u>\$ 1,921,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,963,650</u>

Administrative School District No. 1
Deschutes County, Oregon
Special Revenue Fund Schedule of Expenditures by Function (Budgetary Basis)
Year Ended June 30, 2017

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>
Instruction			
1111 - Primary, K-3 Programs	\$ 1,624	\$ 310	\$ 174,719
1113 - Elementary Extracurricular	4,844	1,422	138,502
1121 - Middle School Programs	57,750	3,508	95,457
1122 - Middle School Extracurricular	3,026	693	34,174
1131 - High School Programs	77,546	24,698	325,092
1132 - High School Extracurricular	45,021	15,034	491,825
1220 - Restrictive Prog Fr Disability	63,704	38,465	14,544
1250 - Less Restrictive Prog Disabled	1,667,849	859,313	24,762
1271 - Remediation	-	-	241
1272 - Title I	1,303,116	696,604	52,605
1280 - Alternative Education	15,734	3,602	100,579
1291 - English Second Language	-	-	71
1292 - Teen Parent Programs	-	-	516
1299 - Other Special Ed Programs	-	0	797
1400 - Summer School Programs	<u>4,000</u>	<u>-</u>	<u>-</u>
Total Instruction	3,244,214	1,643,650	1,453,886
Support Services			
2110 - Attendance and Social Work	53,230	25,426	92,754
2120 - Guidance Services	4,339	1,432	40,585
2140 - Psychological Services	-	-	-
2150 - Speech Pathology and Audiology	-	-	-
2190 - Service Dir, Stu Support Svcs	-	-	103
2210 - Improvement of Instruction Svc	269,034	128,848	45,983
2220 - Educational Media Services	-	-	1,237
2230 - Assessment and Testing	-	-	-
2240 - Instructional Staff Developmnt	642,814	316,838	340,416
2320 - Executive Administration Svcs	-	-	-
2410 - Office of the Principal Svcs	3,020	886	5,366
2490 - Other Support Services	36,827	23,348	-
2510 - Business Support Services	-	-	-
2520 - Fiscal Services	-	-	-
2540 - Oper/Maint of Plant Services	7,056	2,298	27,249
2550 - Student Transportation Svcs	-	-	100,343
2620 - R&D, Eval, Grant Writing Svcs	7,424	3,984	-
2660 - Technology Services	-	-	38,658
2700 - Supplemental Retirement Progm	<u>386,365</u>	<u>7,896</u>	<u>-</u>
Total Support Services	1,410,111	510,957	692,693
Enterprise and Community Services			
3100 - Food Services	2,282,189	1,142,394	173,221
3300 - Community Services	<u>335,340</u>	<u>232,117</u>	<u>984,527</u>
Total Enterprise and Community Services	2,617,529	1,374,511	1,157,748
Other Uses			
5200 - Transfers of Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Uses	-	-	-
Total Special Revenue Fund	<u>\$ 7,271,854</u>	<u>\$ 3,529,118</u>	<u>\$ 3,304,326</u>

<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>	<u>Object 800</u>	<u>Totals</u>
\$ 193,563	\$ -	\$ 810	\$ (5,898)	\$ -	\$ 365,129
204,906	5,047	-	10,455	-	365,176
197,729	-	-	1,573	-	356,017
163,020	6,723	385	(6,237)	-	201,784
412,815	29,084	821	(13,096)	-	856,961
945,625	16,139	2,011	12,813	-	1,528,469
39,308	-	19	140	-	156,181
2,108	-	-	(50)	-	2,553,983
158	-	-	-	-	399
13,190	-	-	-	-	2,065,515
28,817	-	-	-	-	148,731
219	-	-	-	-	290
1,182	-	-	-	-	1,698
3,379	-	-	-	-	4,176
-	-	-	-	-	4,000
2,206,019	56,994	4,046	(300)	-	8,608,510
44,224	-	-	-	-	215,636
392	-	-	5	-	46,753
-	-	-	-	-	-
422	-	-	-	-	422
-	-	-	-	-	103
29,601	-	400	-	-	473,866
32,744	-	55	295	-	34,331
-	-	-	-	-	-
32,239	-	-	-	-	1,332,307
1,719	-	-	-	-	1,719
5,709	-	-	-	-	14,981
-	-	-	-	-	60,175
-	-	253,831	-	-	253,831
-	-	-	-	-	-
5,234	53,034	-	-	-	94,872
511	-	-	-	-	100,854
-	-	-	-	-	11,408
6,215	-	-	-	-	44,872
-	-	-	-	-	394,261
159,011	53,034	254,286	300	-	3,080,390
2,899,746	23,629	151,646	-	-	6,672,824
28,157	-	-	-	-	1,580,142
2,927,904	23,629	151,646	-	-	8,252,966
-	-	-	215,160	-	215,160
-	-	-	216,160	-	215,160
\$ 5,292,934	\$ 133,656	\$ 409,978	\$ 216,160	\$ -	\$ 20,157,026

Administrative School District No. 1

Deschutes County, Oregon

Debt Revenue Fund Schedule of Expenditures by Function (Budgetary Basis)

Year Ended June 30, 2017

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>
Support Services			
2520 - Fiscal Services	<u>-</u>	<u>-</u>	<u>650</u>
 Total Support Services	 -	 -	 650
 Other Uses			
5100 - Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
 Total Other Uses	 -	 -	 -
 Total Debt Service Fund	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 650</u>

<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>	<u>Object 800</u>	<u>Totals</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650</u>
-	-	-	-	-	650
<u>-</u>	<u>-</u>	<u>29,739,956</u>	<u>-</u>	<u>-</u>	<u>29,739,956</u>
-	-	29,739,956	-	-	29,739,956
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,739,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,740,606</u>

Administrative School District No. 1
Deschutes County, Oregon
Capital Project Funds Schedule of Expenditures by Function (Budgetary Basis)
Year Ended June 30, 2017

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>
Facilities Acquisition and Construction			
4110 - Constr Service Area Direction	474,063	204,357	5,436
4120 - Site Acquisition and Develop	-	-	-
4150 - Building Acquisition, Improv	<u>21,785</u>	<u>9,753</u>	<u>2,046</u>
Total Facilities Acquisition and Construction	495,848	214,110	7,481
Total Capital Projects Fund	<u>\$ 495,848</u>	<u>\$ 214,110</u>	<u>\$ 7,481</u>

<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>	<u>Object 800</u>	<u>Totals</u>
3,967	-	4,788	-	-	692,612
-	164,904	-	-	-	164,904
-	11,609,356	340	-	-	11,643,279
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
3,967	11,774,260	5,128	-	-	12,500,795
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 3,967	\$ 11,774,260	\$ 5,128	\$ -	\$ -	\$ 12,500,795
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Year Ended June 30, 2017

	Object 100	Object 200	Object 300
Enterprise and Community Services			
3300 - Community Services	-	-	14,053
Total Enterprise and Community Services	-	-	14,053
Total Trust and Agency Fund	\$ -	\$ -	\$ 14,053
Total Expenditures - All Funds	\$ 94,093,031	\$ 45,120,983	\$ 21,850,249

<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>	<u>Object 800</u>	<u>Totals</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,053</u>
-	-	-	-	-	14,053
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,053</u>
<u>\$ 13,320,780</u>	<u>\$ 14,698,970</u>	<u>\$ 32,076,956</u>	<u>\$ 216,160</u>	<u>\$ -</u>	<u>\$ 221,376,130</u>

Administrative School District No. 1
 Deschutes County, Oregon
 Supplemental Information as Required by the Oregon State Department of Education
 For the Year Ended June 30, 2017

A. Energy Bill for Heating - All Funds:

Please enter your expenditures for electricity
 and heating fuel for these Functions and
 Objects.

<u>Function</u>	<u>Objects 325 & 326</u>
2540	\$ 2,486,370
2550	-

B. Replacement of Equipment - General Fund

Include all General Fund expenditures in object
 542, except for the following exclusions:

<u>Fund</u>	<u>Amount</u>
Exclude these functions:	
General	\$ -
1113, 1122, 1132 Co-curricular Activities	
1140 Pre-Kindergarten	
1300 Continuing Education	
1400 Summer School	
4150 Construction	
2550 Pupil Transportation	
3100 Food Service	
3300 Community Services	

**AUDITOR'S COMMENTS SECTION
REQUIRED BY STATE REGULATIONS**



**Kingston School, built in 1949
Currently houses Westside Village Magnet School.**



INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Administrative School District No. 1
Deschutes County, Oregon

We have audited the basic financial statements of the Administrative School District No. 1, Deschutes County, Oregon (the District) as of and for the year ended June 30, 2017, and have issued our report thereon dated November 26, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **State school fund factors and calculation.**

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

This report is intended solely for the information and use of management, the Board of Directors and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brenda Bartlett". The signature is written in a cursive, flowing style.

Brenda Bartlett, CPA
SGA Certified Public Accountants and Consultants, LLP
Bend, Oregon

November 26, 2017

GRANT COMPLIANCE REVIEW SECTION



**Allen School, built in 1931 at 3rd and Franklin
(Currently Safeway)
Destroyed by fire in 1963**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Administrative School District No. 1
Deschutes County, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Administrative School District No.1, Deschutes County, Oregon (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* - continued**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and is not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Brenda Bartlett, CPA
SGA Certified Public Accountants and Consultants, LLP
Bend, Oregon

November 26, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Administrative School District No. 1
Deschutes, Oregon

Report on Compliance for Each Major Federal Program

We have audited Administrative School District No. 1, Deschutes County, Oregon (the District's) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major federal program. However, our audit does not provide a legal determination on the District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
- continued**

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-01 and 2017-02, that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Brenda Bartlett, CPA
SGA Certified Public Accountants and Consultants, LLP
Bend, Oregon

November 26, 2017

**Administrative School District No. 1
Deschutes County, Oregon
Schedule Of Expenditures Of Federal Awards
For the Fiscal Year Ended June 30, 2017**

Federal Agency	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass Through Awards	Total Awards	Footnote
USDA	Oregon Dept. of Education	School Breakfast Program	10.553	902001	-	1,198,443	1,198,443	
		National School Lunch Program	10.555	902001	-	2,656,924	2,656,924	
		Food Distribution (Commodities)	10.555	902001	-	524,835	524,835	
		Child and Adult Care Food Program	10.558	902001	-	316,951	316,951	
		Commodities from Private Schools	10.555	n/a	-	5,450	5,450	
		<u>Summer Food Service Program for Children</u>	10.559	902001	-	159,039	159,039	
		<u>Subtotal Nutrition Cluster</u>			-	4,861,642	4,861,642	
		Fresh Fruit and Vegetable Program	10.582	902001	-	139,201	139,201	
<u>Total USDA</u>					-	5,000,843	5,000,843	
<u>Dept of Defense</u>		National Junior ROTC	12.U01		71,795	-	71,795	
U.S. Dept of Education	Oregon Dept. of Education	Title I Grants to Local Education Agencies	84.010	36550	-	6,072	6,072	
		Title I Grants to Local Education Agencies	84.010	41010	-	2,744,670	2,744,670	
		Title I Grants to Local Education Agencies	84.010	41881 & 41883	-	44,652	44,652	
		Title I Grants to Local Education Agencies	84.010	35926	-	30,288	30,288	
		Title I Grants to Local Education Agencies	84.010	41192	-	43,504	43,504	
		Title I Grants to Local Education Agencies	84.010	37544 & 37545	-	27,891	27,891	
		<u>Subtotal Title I Cluster</u>			-	2,897,077	2,897,077	
		Special Education - Grants to States	84.027	41936	-	3,400	3,400	
		Special Education - Grants to States	84.027	42595	-	17,602	17,602	
		Special Education - Grants to States	84.027	41470	-	2,637,914	2,637,914	
		Special Education - Grants to States	84.027	40991	-	7,950	7,950	
		Special Education - Grants to States	84.027	42055	-	6,443	6,443	
		<u>Special Education - Preschool Grants</u>	84.173	40556	-	16,278	16,278	
		<u>Subtotal IDEA Cluster</u>			-	2,689,587	2,689,587	¹
		Supporting Effective Instruction	84.367	41265	-	401,917	401,917	¹
		Supporting Effective Instruction	84.367	36123	-	40,098	40,098	¹
		English Language Acquisition State Grants	84.365	41742	-	80,903	80,903	
		<u>Total Passed Through Oregon Department of Education</u>			-	6,109,581	6,109,581	
	Oregon University System	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		-	20,959	20,959	
	High Desert ESD	Career and Technical Education - Basic Grants to States	84.048		-	20,328	20,328	
		Education for Homeless Children and Youth	84.196		-	11,806	11,806	
		<u>Total Passed Through High Desert ESD</u>			-	32,134	32,134	
	Dept of Human Services	Special Education - State Vocational Rehabilitation	84.126A		-	104,686	104,686	
<u>Total US Dept of Education</u>					-	6,267,360	6,267,360	
US Dept of Health and Human Services	Oregon Employment Dept	Child Care and Development Block Grant	93.575		-	78,982	78,982	
<u>Total Federal Financial Assistance</u>					71,795	11,347,185	11,418,980	

(1) Audited as major program

Significant Accounting Policies

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Bend-La Pine Schools (the District). The information in this schedule is prepared in accordance with the requirements of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position or changes in net position of the District.

Note B – Summary of Significant Accounting Policies

Expenditures on the Schedule are reported on the modified accrual basis of accounting. Revenues are recorded when measurable and available, or in the case of grants where the expenditure is the prime factor for determining eligibility, when the expenditure is made. Expenditures are recorded when a liability is incurred. Such expenditures are recognized using the Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Note C – Child Nutrition Cluster

The District commingles cash receipts from the US Department of Agriculture with similar state grants. When reporting expenditures on this schedule, the District assumes it expends federal monies first. The District reports commodities consumed on the Schedule at fair value.

**Administrative School District No. 1
Deschutes County, Oregon**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified?
- Significant deficiencies?

No

None reported

Noncompliance material to the financial statements noted?

No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified?
- Significant deficiencies identified?

No

Yes

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes

Identification of major federal programs:

<u>CFDA No(s).</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA
84.367	Supporting Effective Instruction

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

Yes

**Administrative School District No. 1
Deschutes County, Oregon**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

Department of Education

2017-01 Individuals with Disabilities Education Act (IDEA) – CFDA 84.027; Grant No. 41010; Grant Period – October 1, 2016 – September 30, 2017

Significant deficiency in internal control over Allowable Activities and Allowable Costs compliance requirements

Condition: The auditor noted two instances in our overall sample of 12 additional payroll costs charged to the IDEA grant where documentation did not support the allocation to the grant. One of these was in the amount of \$393.55 which was properly chargeable to a different grant and was subsequently moved after auditor inquiry. The second was in the amount of \$239.16 for additional salary for attendance at a weekly Special Education staff meeting charged to the IDEA Enhancement grant. We were unable to determine the subject of the team meeting from the documentation provided.

Criteria: Additional monitoring controls should be in place to ensure that charges to the grant are supported by documentation as to the activity. Timesheet entries should be used to support training and other charges allocated to the grant.

Cause: We were unable to determine the cause of the first finding; district management informed us this was charged to the grant in error and it was moved to the proper account code. The second finding appears to be related to the relative generality of the timesheet as we were unable to determine whether the staff meeting was held for the purpose of enhanced training or a regular weekly meeting that would have been held whether grant funds were received or not.

Effect: Amounts were charged to the grant that were (1) not allowable or (2) we were unable to verify the allowability based on documentation provided.

Recommendation: The District should implement additional monitoring controls performed by staff trained in the Uniform Guidance compliance. With regard to instance #2, one such control we have seen work well is the staff development sign in sheet where the training topic is listed and each attendee is required to sign in to document allowability for the grant.

Views of Responsible Officials and Planned Corrective Actions:

According to the Uniform Guidance section §200.61 “Internal controls means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives.” The auditor’s statement of condition and criteria would seem to suggest that District’s internal controls should provide absolute assurance not reasonable assurance. FY2016-17 expenditures for grant NO. 41010 was \$2,744,670 and this finding identified \$632.71 of questioned or unallowable costs, about 0.023 percent of total expenditures. When the first instance was brought to the attention of the District immediate corrective action was taken.

The second instance cited involved a special education staff member that was paid for attending special education and secondary behavior meetings. Section 1454 (a) (2) of the IDEA Act encourages and supports the training and preparation of special education, regular education teachers, and administrators of personnel who will serve children with high incidence and low incidence disabilities to meet the diverse and individualized instructional needs of children with disabilities. The staff member’s time, ranging from 30 minutes to 120 minutes, was charged to the grant for attendance at 7 meetings during the FY2016-17 school year. The District supports collaborative learning communities where educators meet regularly, share expertise, and work to improve their teaching skills and maintains that it is highly likely that these meetings included elements of advanced training. The time charged to the grant was authorized by the school principal.

The District will strive to improve the documentation of extra time charged to grants for meetings while balancing the directive set out in Section 1400 (c) of the IDEA Act that “teachers, schools, local educational agencies, and States should be relieved of irrelevant and unnecessary paperwork burdens that do not lead to improved educational outcomes.” The District will attempt to raise staff’s awareness of the applicable sections of the Uniform Guidance. District management recognizes the importance of staff receiving adequate training to perform their duties and ensure that key managers have adequate knowledge to discharge their responsibilities. The District strives to maintain an effective overall control environment and setting a tone operations are conducted ethically.

Significant deficiency in internal control over Supplement, not Supplant compliance requirements

Condition: During our testing of direct payroll charged to the grant, we noted one instance in our sample of 40 where there was no documentation of the time spent on the grant. We note the district's policy is that instructors charged to IDEA sign biannual time and effort logs to document allowability for charging to the grant, but no log was available for this employee's payroll. Upon further inquiry, we noted the charge to the grant resulted from the district moving one month's payroll and related benefits in the amount of \$5,138.69 for a Special Education instructor from the general fund to the grant to absorb remaining funding left over in the grant at year end.

Criteria: Unused funds in a federal grant may not be used to offset costs already provided for from local funds, in this case, the teacher had initially been fully funded by the general fund.

Cause: During our documentation and testing of internal controls over IDEA federal grant compliance, we noted there was not an apparent differentiation between general fund special education funding sources and federal IDEA funding sources.

Effect: The grant was used to supplement payroll costs that were provided for by the general fund, rather than the requirement to identify additional services that could have been provided with the surplus funding.

Recommendation: The District should create an annual plan for IDEA spending and document within the plan specific additional special education costs to be provided with grant funding that the District would otherwise be unable to provide. The plan should be monitored regularly to identify surplus funds in a timely manner so that the plan can be supplemented to provide enhanced or supplemental services.

Views of Responsible Officials and Planned Corrective Actions:

The District was remiss in not documenting the time and effort from this employee charged to the grant. We do however, take exception to the auditor's conclusion that the federal grant was used to offset costs already provided for from local funds in that FY2016-17 general fund expenditures for special education services exceeded budgeted expenditures and as such the teacher was not fully funded by the general fund as the auditor suggests. It is an erroneous assumption that the grant was used to supplement payroll costs provided by the general fund since the budgeted general fund resources were more than fully expended. Furthermore the District met the excess cost requirements as prescribed by federal regulations.

We also are sensitive to how the effort to close the grant in an efficient and effective manner may have given the appearance of supplanting federal resources. To provide context to the questioned costs of \$5,138.69, it is approximately 0.19 percent of the total IDEA grant. In addition, the individual selected for the reclassification was vetted to determine the person was performing grant related activities, duties that may not have been provided but for the grant award.

The auditor recommends the District should create an annual plan for IDEA spending and document within the plan specific additional special education costs to be provided with grant funding that the District would otherwise be unable to provide. This suggests that the District did

not have a plan for the spending the \$2.7 million of federal IDEA funds. The District maintains that 26 licensed staff assigned to the grant working on grant eligible activities is evidence that there is a reasonable plan in place to ensure grant expenditures comply with grant requirements. We agree this plan can be improved upon.

The District will endeavor to find a more effective way of planning for IDEA grant expenditures in a manner that does give the appearance of supplanting and finding a way to better manage small remaining grants balances in the future.

Section IV – State Award Findings and Questioned Costs

None reported.