

**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, 2016

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

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

<b>TABLE OF CONTENTS</b> .....	<b>i</b>
--------------------------------	----------

**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 .....	14
Statement of Activities .....	15
Balance Sheet Governmental Funds .....	16
Reconciliation of Governmental Funds	
Balance Sheet to Statement of Net Position .....	17
Statement of Revenues, Expenditures and Changes in	
Fund Balances Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures	
and Changes in Fund Balance of Governmental Funds	
to the Statement of Activities .....	19
Statement of Revenues, Expenditures and Changes in Fund	
Balance Budget to Actual – General Fund and	
Special Revenue Fund .....	20
Statement of Net Position Fiduciary Fund – Private Purpose Trust Fund.....	22
Statement of Changes in Net Position Fiduciary Fund – Private Purpose Trust Fund .....	23
Notes to Financial Statements.....	24

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress and Employer Contributions - OPEB .....	50
Schedule of the Proportionate Share of the Net Pension Liability for PERS.....	51
Schedule of Employer Contributions for PERS.....	52

**SUPPLEMENTARY INFORMATION**

Description of Fund Types.....	53
Combining Schedule of Assets, Liabilities and Fund Balance	
General Fund Sub Funds	
(GAAP Basis) .....	54

**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)-----	56
--	----

**BUDGETARY COMPARISONS**

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget to Actual – General Fund	
Operations Sub-Fund -----	58
Athletics and Activities Sub Fund -----	59
Instructional Materials Sub Fund-----	60
Transportation Equipment Sub Fund -----	61
Print Shop Equipment Sub Fund-----	62
Facility Usage Sub Fund -----	63
Technology Reserve Sub Fund -----	64
Maintenance Replacement Sub Fund-----	65
Insurance Reserve Sub Fund-----	66
Debt Service Fund-----	67
Capital Projects Fund -----	68
Private Purpose Trust Fund-----	69

**OTHER FINANCIAL SCHEDULES**

Schedule of Expenditures of Federal Awards-----	70
Notes to Schedule of Expenditures of Federal Awards -----	72
Schedule of Future Debt Service by Issue – Bond Principal and Interest-----	73

**STATISTICAL SECTION**

Statistical Section Contents -----	74
Net Position by Component – Last Ten Fiscal Years -----	75
Changes in Net Position – Last Ten Fiscal Years-----	77
Fund Balances of Governmental Funds - Last Ten Fiscal Years-----	79
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years -----	81
Assessed Value and Estimated Value of Taxable Property in Deschutes County - Last Ten Fiscal Years-----	83
Property Tax Rates – All Direct and Overlapping Governments - Last Ten Fiscal Years -----	85
Principal Taxpayers – Deschutes County – Current Year and Nine Years Ago-----	86
Property Tax Levies and Collections – Levies for Operations and Debt Service - Last Ten Fiscal Years-----	87
Computation of Direct and Overlapping Debt-----	88
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years-----	89
Legal Debt Margin Information – Last Ten Fiscal Years -----	90
Ratio of Net Bonded Debt to Real Market Value and Net Bonded	

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

Debt Per Capita – Last Ten Fiscal Years -----	92
Demographic and Economic Statistics – Last Ten Fiscal Years-----	93
Ten Largest Employers – Current Year and Nine Years Ago -----	94
Full-time Equivalent Employees by Function – Last Ten Fiscal Years -----	95
Operating Indicators by Function – Last Ten Fiscal Years -----	96
Capital Asset Statistics by Function – Last Ten Fiscal Years-----	98
School Building Statistics with Enrollment Information -----	100

**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 -----	101
General Fund-----	103
Special Revenue Fund -----	105
Debt Service Fund -----	107
Capital Projects Fund -----	109
Trust and Agency Fund -----	111
Supplemental information as required by Oregon State Department of Education -----	113

<b>INDEPENDENT AUDITORS' REPORT  REQUIRED BY STATE REGULATIONS -----</b>	<b>114</b>
--	------------

**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> -----	116
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 -----	118
Schedule of Findings and Questioned Cost -----	120

## INTRODUCTORY SECTION



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



November 18, 2016

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, 2016, 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 3 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 17,500 pupils in grades kindergarten through 12 during fiscal year 2015-16. As of this writing, enrollment has increased to approximately 18,000. 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 2015-16, we employed approximately 1,880 permanent staff including 968 teachers, counselors and licensed specialists, and 829 support staff, such as instructional assistants, secretaries, clerks and various professional or technical positions. During the 2015-16 fiscal year, we operated with a management team of 83 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, within the Deschutes River drainage basin. The County is the most populous county in the eastern part of the state with a 2015 population of approximately 175,300 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, and St. Charles Medical Center is now the largest employer in the area. Precipitation varies from 70 inches or more in the Cascades to ten inches in the plateau, where crop cultivation must rely on dry farming methods or irrigation.

In the 2015-16 fiscal year, the taxable assessed value of property in Deschutes County increased by approximately 6.7%. 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 tremendous 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 the state. More recent estimates, as referenced above, indicate a current population estimate of 175,300. 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 many national magazines as a top pick in the nation to live and work. During last recession, home prices have dropped significantly from their highs of recent years, bringing the cost of living back in line with the Portland metro, Salem and the Eugene-Springfield areas of the state. In 2011, the housing market showed signs of stabilizing as notices of default in Deschutes County declined, the first annual decline since 2007. In 2015, 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 repay 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.

The last economic downturn forced the state legislature to adjust the state's budget for the 2007-09 biennium. Reductions were made across many state agencies, including the Department of Education which manages a large portion of K-12 funding in the state, the state school fund. During the 2007-09 biennium the legislature reduced the state school fund by approximately \$271 million, or 4.5%. With the economic downturn becoming widespread, it is no surprise that the projected available resources at the state level were materially even less for the 2009-11 biennium than in the 2007-09 biennium. In addition to the projected revenues for the biennium, the state had available reserves approximating \$800 million as well as additional federal funds from the State Fiscal Stabilization Fund. Even with these sources of funds, the legislature approved a K-12 budget for the biennium of \$5.8 billion, with an extra \$200 million available in the second year of the biennium if state revenues did not fall below a certain level. At the \$5.8 billion level the decrease to K-12 funding is approximately 5.5% from the adjusted level of the previous biennium.

Funding for the 2011-13 biennium was \$5.713 billion, slightly less than the 2009-11 funding. Our pension costs have increased approximately 400%. At this level of funding, we were operating with less staff and still providing a shortened school year. We also chose to reduce costs such as instructional materials, support to instructional technology and delaying equipment purchases.

Funding for the 2013-15 biennium was \$6.65 billion, a great improvement from 2011-13. As the state continues to climb out of the depths of the worst recession in recent history, the Legislature found ways to begin reinvesting in K-12 education. While the increased funding and partial relief from PERS increases that were provided by the 2013 Legislature do not allow a return to pre-recession staffing and programming levels, they have put us in a position of positive pro-active planning for the future.

For 2015-17 biennium, we are 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, we are still not at the pre-recession staffing and programming levels.

For 2017-19 biennium, our 2017-19 PERS employer rates are set to increase by five percentage points due to a court ruling on SB 822 and unfavourable valuations and earnings. We continue to advocate adequate and stable K-12 funding and sustainable PERS reform.

### **Major Initiatives**

With higher than projected enrollment and enrollment changes by location, we purchased two modular to provide instruction spaces. We purchased five new school buses to keep up with growth needs and replacement needs. Based on our sites and facilities committee's research and recommendation, we will need to build seven more schools in the next twenty years to accommodate enrollment growth. Staff are analyzing facility needs for the next five to seven years and the projected costs of those needs. This will likely result in a recommendation for a new construction bond levy.

### **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. We have also considered the long-term impact of adding additional schools.

Because approximately one-half of our operational funding is derived from state income tax, our Board of Directors has instituted an executive limit that prohibits us from proposing an ending fund balance less than five percent of total revenue in the general fund. The 2016-17 adopted budget includes a budgeted ending fund balance equal to 5.2% of resources. The Board and Budget Committee have discussed to push any additional ending fund balance over the budgeted 5.2% to future years to help offset higher PERS costs.

## **Relevant Financial Policies and Information**

### ***Fiscal Year***

Our 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 has one charter school, Bend International School. The Bend International School opened its charter during 2015-16 school year and educates 132 students in grades K-8.

### ***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. On March 15, 2005 we issued general obligation refunding bonds to partially refund our 1998 and 2001 general obligation bonds. The aggregate principal amount of the refunding was \$63.0 million. In June, 2007 we issued \$119 million in general obligation bonds to fund new construction and capital improvements. These bonds are payable over the next 17 years. In the spring of 2011 we issued Full Faith and Credit bonds to refinance a 2008 issue, keeping the term the same but lowering the interest rate by approximately two percentage points. In March 2013, we did advance partial refunding of 2007 GO bonds. The aggregate principal amount of the refunding was \$80.05 million. In 2013 voters approved \$96 million in general obligation bond. In August 2013, we issued \$91 million general obligation bond. In April 2016, we issued the remaining \$4 million general obligation bond. These bonds are payable over the next 19 years

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, 2016 our net bonded debt is \$1,429,877,788 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, who were 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**

#### ***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, 2015. 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.

***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, 2015. 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.

**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 Award  
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, 2015.**

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



*Brenda Burkett*

Brenda R. Burkett, CPA, CSBA, SFO  
President

*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**

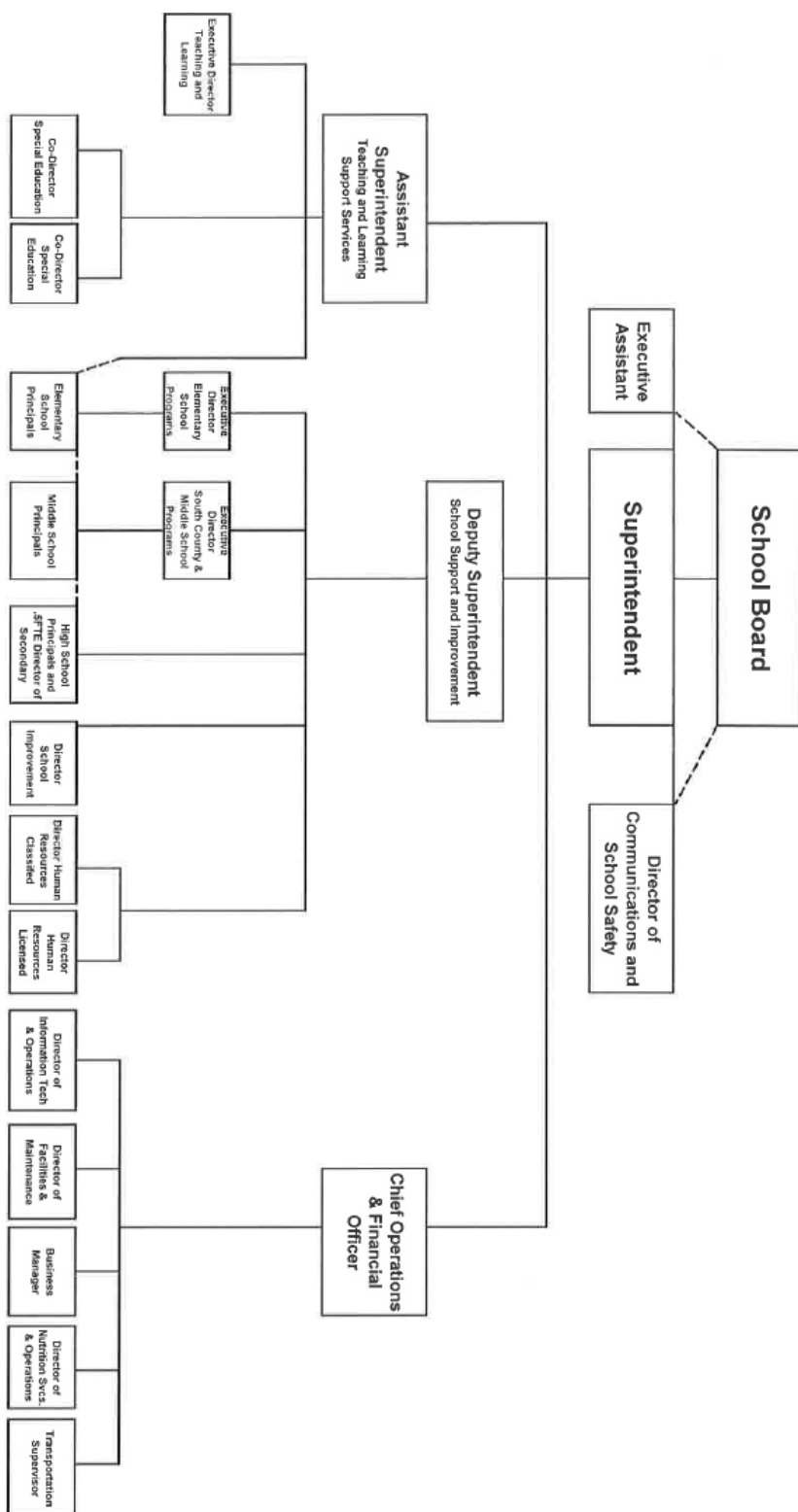
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Egan".

Executive Director/CEO

**Administrative School District No. 1  
Deschutes County, Oregon  
Organizational Chart  
June 30, 2016**



**Administrative School District No. 1  
Deschutes County, Oregon  
Principal Officials  
June 30, 2016**

**BOARD OF DIRECTORS**

Nori Juba – Chair Bend, Oregon	June 30, 2017
Cheri Helt Bend, Oregon	June 30, 2017
Ron Gallinat Bend, Oregon	June 30, 2019
Peggy Kinkade Bend, Oregon	June 30, 2019
Andy High Bend, Oregon	June 30, 2019
Dr. Stuart Young La Pine, Oregon	June 30, 2017
Julie Craig Bend, Oregon	June 30, 2017

**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, 2016, 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, 2016, 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 and the Schedule of Expenditures of Federal Awards, as listed in the table of contents, 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.

#### **Emphasis of a Matter**

As discussed in Note IV.H to the financial statements, the District corrected an error in their fiscal year 2012-13 statements related to an advance refunding of bonded debt. The financial statements for the year ended June 30, 2013 were audited by a predecessor auditor. The previous auditor, in their report dated December 12, 2013 expressed unmodified opinions on the statements. Our opinion is not modified with respect to this matter.

#### **Report on Summarized Comparative Information**

The District's 2015 financial statements were audited by a previous auditor who expressed an unmodified audit opinion on those audited financial statements in their report dated December 10, 2015. The summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived, except for effect of the restatements discussed in Note IV.H to the financial statements.

#### **Reports on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 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 18, 2016, 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 18, 2016

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## **Management's Discussion and Analysis**

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Management's Discussion And Analysis**  
**June 30, 2016**

As management of Administrative School District No. 1, Deschutes County, Oregon (the District), we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the Transmittal Letter, which can be found on pages iv - ix.

**Financial Highlights**

- In the government-wide statements, our assets exceeded our liabilities at June 30, 2016 by \$27 million. Of this amount, \$118 million is net investment in capital assets, and the balance is restricted for grants, debt service, and capital projects, or is unrestricted. Pension liabilities are included in unrestricted.
- Our total net position decreased by \$34 million, with net investment in capital assets increasing by \$7 million and unrestricted net position decreasing by \$58 million and a restricted increase of \$17 million due to increase in capital assets. Net position decrease is mainly due to PERS pension liabilities.
- We issued \$4 million General Obligation Bond in April 2016, which is the remaining portion of 2013 voter approved amount (total \$96 million).
- Our General Fund ended the 2015-16 fiscal year with a fund balance of \$13.5 million, which is 9% of expenditures.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to our basic financial statements. Our basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of our finances, in a manner similar to a private-sector business.

These statements include:

The *Statement of Net Position*. The *statement of net position* presents information on all of our assets and liabilities at year end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether our financial position is improving or deteriorating.

The *Statement of Activities*. The statement of activities presents information showing how our net position changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).



**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Management's Discussion And Analysis**  
**June 30, 2016**

In the government-wide financial statements, our activities are categorized as governmental activities. Most of our basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, technology services, facilities acquisition, construction and maintenance. These activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues.

The government-wide financial statements can be found on pages 14 and 15 of this report.

**Fund financial statements.** The *fund financial statements* provide more detailed information about our funds, focusing on our most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Our district, like other state and local governments, uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. All of our funds can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** The *governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Activities.

We maintain 4 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Special Revenue, Debt Service, and Capital Projects Funds, all of which are considered to be major funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support our own programs. We hold approximately \$80,000 in trust funds for student scholarships.

The fund financial statements can be found on pages 16-23 of this report.

**Notes to the basic financial statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 24-51 of this report.

**Administrative School District No. 1  
Deschutes County, Oregon  
Management's Discussion And Analysis  
June 30, 2016**

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Our assets exceeded liabilities by \$27 million at June 30, 2016.

Capital assets, which consist of our land, buildings, land improvements, construction in progress, vehicles, and equipment, represent about 85 percent of total assets. This percentage has increased from the prior year, mainly due to the construction projects and other technology capital projects that are underway or were completed during current year. The remaining assets consist mainly of cash and investments and grants and property taxes receivable. Please refer to page 33 for more information on capital asset activities.

Our largest liability, 91 percent of total liabilities, is for the repayment of the long-term portion of general obligation bonds, net pension liability, and other debt. Current liabilities, representing about 7.5 percent of our total liabilities, consist of payables on accounts, benefits, and the current portion of long-term debt. The remaining 1.5% of total liabilities is other post-employment benefit obligation. Please refer to pages 34-37 for more information on long-term debt activity.

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Management's Discussion And Analysis**  
**June 30, 2016**

Net Position as of June 30

	Governmental Activities		Increase (Decrease) from
	As Restated		
	2016	2015	Fiscal 2015
Current and other assets	\$ 56,035,107	\$ 93,673,348	\$ (37,638,241)
Capital assets	314,405,328	302,245,216	12,160,112
Total assets	370,440,435	395,918,564	(25,478,129)
Deferred Outflows of Resources	22,640,526	22,253,451	387,075
Total Deferred Outflows of Resources	22,640,526	22,253,451	387,075
Current liabilities	33,504,105	35,988,459	(2,484,354)
Long-term liabilities	320,123,764	281,879,843	38,243,921
Total liabilities	353,627,869	317,868,302	35,759,567
Deferred Inflows of Resources	11,621,054	38,535,887	(26,914,833)
Total Deferred Inflows of Resources	11,621,054	38,535,887	(26,914,833)
Net Position:			
Net Investment in capital assets	118,403,374	111,247,887	7,155,487
Restricted	25,670,295	8,557,066	17,113,229
Unrestricted	(116,241,630)	(58,037,126)	(58,204,504)
Total net position	\$ 27,832,039	\$ 61,767,827	\$ (33,935,788)

During the current fiscal year, our net position decreased by \$34 million. The decrease is mainly from PERS pension liability.

**Governmental activities.** As noted above, our net position decreased by \$34 million in the current fiscal year. This represents a decrease of about 55% from the prior year. 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:

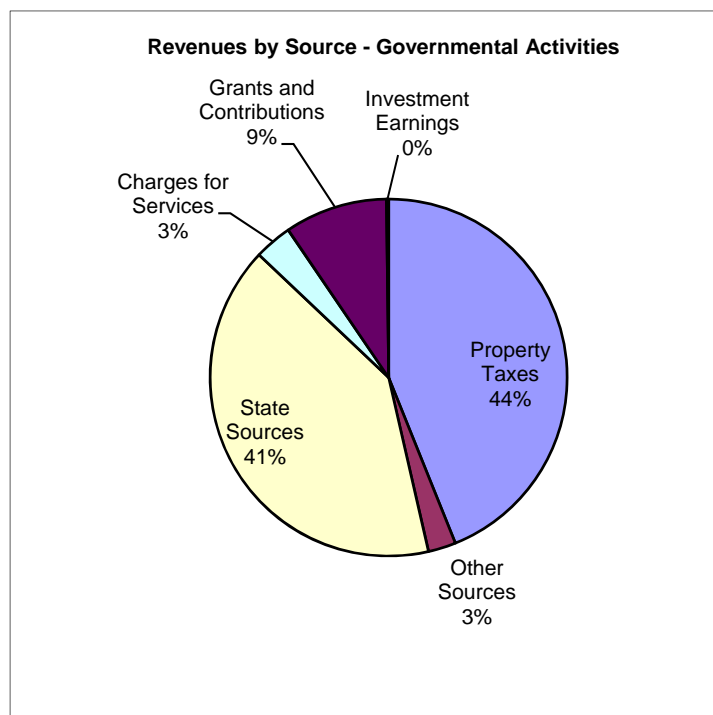
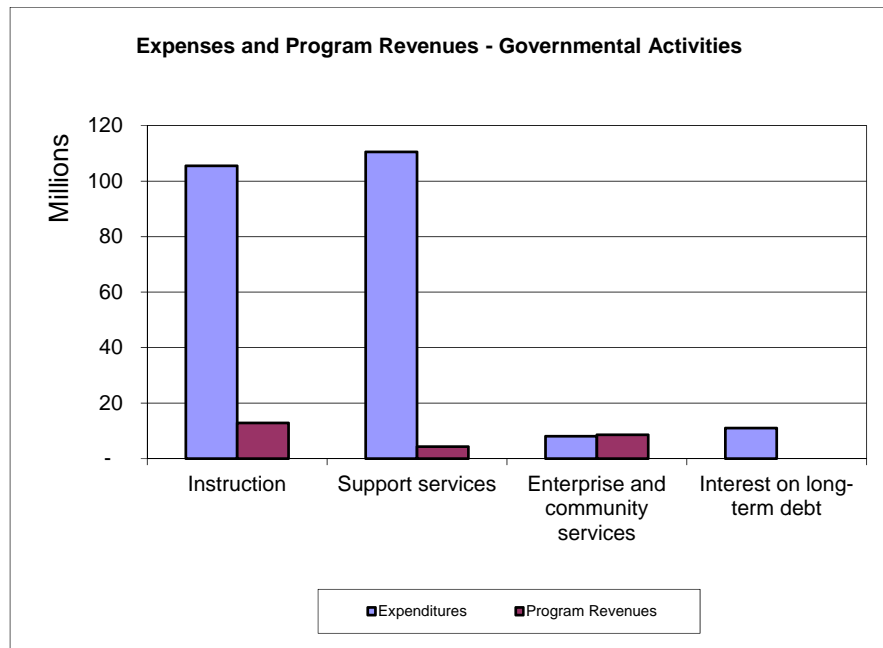
- The net position increased by \$7 million due to increase in Investment in capital assets.
- The net position increased by \$17 million due to increase in capital assets.
- The net position decrease by \$58 million due to PERS pension liability increase.
- 2015 net position was restated due to interest amortization corrections on 2013 GO Bond refunding. 2015 net position increased by \$12.5M due to this correction.

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Management's Discussion And Analysis**  
**June 30, 2016**

Changes in Net Position, Fiscal Year Ended June 30

	Governmental Activities		Increase (Decrease) from
	As Restated		
	2016	2015	Fiscal 2015
Revenues:			
Programs revenues:			
Charges for services	\$ 6,923,687	\$ 6,357,714	\$ 565,973
Operating grants and contributions	18,202,503	19,425,439	(1,222,936)
Capital grants and contributions	662,417	636,373	26,044
General revenues:			
Property taxes	88,888,987	83,907,941	4,981,046
Federal aid not restricted to specific purposes	241,961	189,807	52,154
State aid not restricted to specific purposes	82,315,733	75,139,105	7,176,628
Intermediate aid not restricted to specific purposes	2,198,068	2,002,712	195,356
Earnings on investments	389,721	470,074	(80,353)
Other local revenue	2,639,441	2,348,763	290,678
Total revenues	202,462,518	190,477,929	11,984,590
Expenses:			
Instruction	105,529,948	98,212,078	7,317,870
Support services	110,508,306	34,230,718	76,277,588
Enterprise and community services	8,056,404	7,410,433	645,971
Interest on long-term debt	12,303,647	12,964,399	(660,752)
Total expenses	236,398,306	152,817,628	83,580,678
Increase (decrease) in net position	(33,935,788)	37,660,301	(71,596,089)
Prior period adjustment		12,838,054	
Net Position July 1	61,767,827	11,269,472	50,498,355
Net Position June 30	\$ 27,832,039	\$ 61,767,827	\$ (21,097,734)

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Management's Discussion And Analysis**  
**June 30, 2016**



**Administrative School District No. 1  
Deschutes County, Oregon  
Management's Discussion And Analysis  
June 30, 2016**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, we use fund accounting to ensure and to demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of our governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing our financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. At June 30, 2016, our governmental funds reported combined ending fund balances of \$41.3 million. About 46% of the ending fund balance constitutes capital projects, as authorized by voters. An additional 16% is for use as obligated by grants or for debt service obligations.

**General Fund.** The General Fund is the chief operating fund of the District. As of June 30, 2016, the Balance Sheet for Governmental Funds shows that the District had a fund balance of \$13.5 million. This reflects the intent to push ending fund balance as part of our resources to offset 2017-19 PERS cost increases.

**Special Revenue Fund.** The Special Revenue Fund accounts for revenue sources that are legally restricted or committed by the board to expenditures for specific purposes such as federal and state grants, classroom supplies and equipment, capital improvements, the receipts, disbursements and cash balances of the various schools' student body activity funds, individual school activity programs and revenues and expenditures for the food dispensing programs.

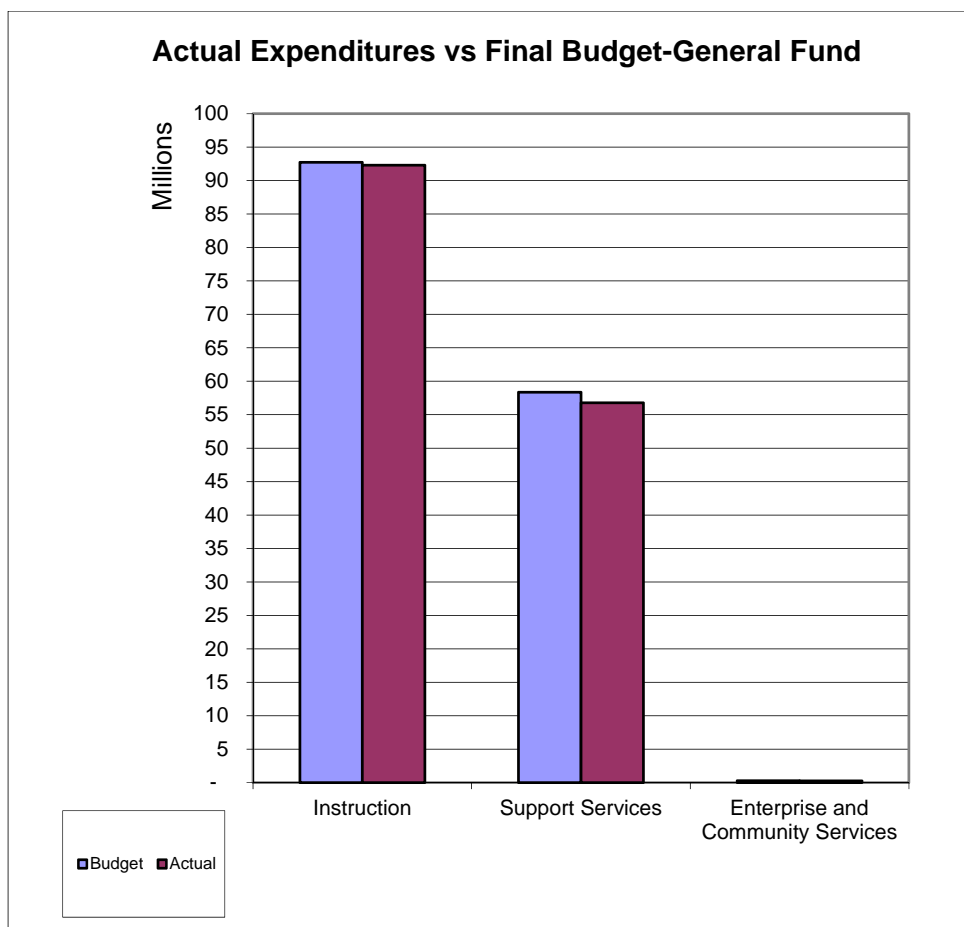
**Debt Service Fund.** The Debt Service Fund has a total fund balance of \$2.5 million, all of which is restricted for the payment of debt service. The increase of approximately \$200K in fund balance reflects the more stable trend of property tax collection, which allows us to forecast property tax collection more accurately.

**Capital Projects Fund.** The Capital Projects Fund has a total fund balance of \$18.9 million, all of which is restricted for ongoing capital projects. These available resources are a result of the issuance of the most recent general obligation bonds in August 2013 and April 2016. Total expenditures of \$20.3 million in the current year reflect the work related to the construction major additions and renovations to facilities across the district.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In the current fiscal year all expenditures in the General Fund were within the appropriations as approved by the Board of Directors. We increased our service level (and expenditures) during the year, as evidenced by the significant variance in the expenditure budget. This service level increase was attained by managing expenditures and finding savings in all areas.

**Administrative School District No. 1  
Deschutes County, Oregon  
Management's Discussion And Analysis  
June 30, 2016**



**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets. Our investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. The increase in capital assets from 2015 to 2016 was approximately \$17 million. This increase is due to ongoing construction projects funded by the 2013 General Obligation Bond.

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Management's Discussion And Analysis**  
**June 30, 2016**

Capital Assets as of June 30

	Governmental Activities		Increase (Decrease) from
	2016	2015	Fiscal 2015
Land	\$ 32,060,808	\$ 32,060,808	\$ 0
Site Improvements	13,640,874	14,325,478	(684,604)
Buildings and Improvements	258,010,685	191,460,995	66,549,690
Vehicles and Equipment	7,875,504	7,555,235	320,269
Construction in Progress	2,817,456	56,842,699	(54,025,243)
Total	<u>\$ 314,405,328</u>	<u>\$ 302,245,216</u>	<u>\$ 12,160,113</u>

More detailed information on capital asset activity can be found in the notes to the basic financial statements on pages 33-34.

Long-term debt. At the end of the current fiscal year, we had total debt outstanding of \$265 million, consisting of general obligation bonded debt, limited tax pension obligation bonds and full faith and credit obligations, net of unamortized premium/discount. This does not include the liability for early retirement benefits of \$1.4 million, and OPEB of \$5.2 million. The decrease of \$12 million reflects the scheduled annual principal and interest payments for general obligation bonds, pension bonds and other long-term debt.

Debt Outstanding as of June 30

	Governmental Activities		Increase (Decrease) from
	2016	2015	Fiscal 2015
General Obligation Bonds	\$ 190,155,000	\$ 198,705,000	\$ (8,550,000)
Limited Tax Pension Obligation Bonds	67,184,755	71,137,698	(3,952,943)
Other Long-Term Debt	7,450,380	9,237,152	(1,786,772)
Premium on Bonds	14,317,119	16,125,570	(1,808,451)
Other Post-Employment Benefits	5,239,794	5,096,044	143,750
Early Retirement Benefits	1,369,573	1,822,092	(452,519)
Total	<u>\$ 285,716,621</u>	<u>\$ 302,123,556</u>	<u>\$ (16,406,935)</u>

In July, 2013, Moody's assigned an Aa2 to the District's bond rating in conjunction with the 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. 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 34.



**Administrative School District No. 1  
Deschutes County, Oregon  
Management's Discussion And Analysis  
June 30, 2016**

Economic Factors and Next Year's Budget

One of our most significant sources of revenue is the State of Oregon's State School Fund. K-12's share of the state budget has been on a declining trend in the past decade and the recent economic downturn further impacted K-12 funding negatively.

In the 2013 legislative session, the legislature approved a 2013-15 biennial budget that provides \$6.75 billion to K-12 education, a combination of revenue of \$6.55 billion and \$200 million of PERS reform through SB 822. This is a great improvement from 2011-13 and a start of reinvesting in K-12 education. In September 2013, the Governor called special session and passed five bills, providing another \$100 million to K-12 for 2014-15 and deeper PERS reforms to realize real savings for 2013-15 and additional savings for 2015-17 and on. The majority of these PERS reforms did not materialize due to later court ruling.

During the 2014-15 fiscal year, the School Board approved new agreements with all of our employee groups. The support staff agreement was ratified by the association in September, 2015, and was effective September 1, 2015. The certified agreement was ratified by our certified group in June, 2015 and is effective July 1, 2015. The agreements for both groups are a two-year agreement on language, wages and benefits.

In the 2015 legislative session, the legislature approved a 2015-17 biennial budget that provides \$7.38 billion to K-12 education with a 49.2/50.8 split vs. a traditional 49/51 split.

The state economic forecast reveals a slow, steady recovery and slow growth in State School funding for the District in the next few biennia.

For 2017-19 biennial budget, voters rejected Measure 97, which was designed to increase K-12 funding. K-12 funding level is up to legislatures to define. We will enter into new agreements negotiations with all employee group in Spring of 2017. Our 2017-19 PERS employer rate increased by five percentage points.

As of this writing, 2016-17 enrollment has increased by more than 500 students from the 2015-16 level to be approximately 18,000.

Requests for Information

This financial report is designed to present the user with a general overview of our finances and to demonstrate our accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to our Finance Director at 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, 2016, with Comparative Data

	Governmental Activities	
	2016	As Restated 2015
<b>Assets:</b>		
Cash and investments	\$ 46,690,696	\$ 64,305,737
Receivables:		
Property taxes	2,731,808	2,844,910
Accounts and other receivables	5,225,891	4,823,802
Prepaid items	873,505	1,264,790
Inventories	513,207	463,138
Net pension asset	-	19,970,972
Capital assets, net of depreciation		
Land	32,060,808	32,060,808
Construction in progress	2,817,456	56,842,699
Site improvements	13,640,874	14,325,478
Buildings and improvements	258,010,685	191,460,995
Vehicles and equipment	7,875,504	7,555,235
<i>Total Assets</i>	<u>370,440,435</u>	<u>395,918,564</u>
 <b>Deferred Outflow of Resources:</b>		
Pension deferrals	12,402,584	10,715,453
Advanced refunding	10,237,942	11,537,998
<i>Total Deferred Outflows of Resources</i>	<u>22,640,526</u>	<u>22,253,451</u>
 <b>Liabilities</b>		
Accounts payable	2,707,082	4,967,881
Accrued payroll and related charges	9,796,884	10,050,156
Accrued interest	466,506	495,292
Retainage payable	160,834	2,020,791
Accrued general liability claims and judgments due within one year	504,634	4,320
Long-term liabilities due within one year	19,868,164	17,870,362
Net pension liability	54,255,989	-
Accrued general liability claims and judgments due more than one year	19,316	579,658
Long-term liabilities due in more than one year	265,848,459	281,879,843
<i>Total Liabilities</i>	<u>353,627,869</u>	<u>317,868,302</u>
 <b>Deferred Inflows of Resources:</b>		
Pension deferrals	11,621,054	38,535,887
<i>Total Deferred Inflows of Resources</i>	<u>11,621,054</u>	<u>38,535,887</u>
 <b>Net Position</b>		
Net Investment in capital assets	118,403,374	111,247,887
Restricted for:		
Transportation	904,822	815,144
Federal, state and local programs	3,360,335	3,075,654
Debt service	2,510,423	2,287,056
Capital projects	18,894,715	2,379,212
Unrestricted	(116,241,630)	(58,037,126)
<i>Total Net Position</i>	<u>\$ 27,832,039</u>	<u>\$ 61,767,827</u>

See Notes to Financial Statements

Administrative School District No. 1  
Deschutes County, Oregon  
Statement of Activities  
Year Ended June 30, 2016, with Comparative Data

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2016	As Restated 2015
Governmental Activities						
Instruction						
Regular instruction	\$ 81,790,818	\$ 3,985,187	\$ 3,903,032	\$ -	\$ (73,902,598)	\$ (67,123,948)
Special programs including summer school	23,739,130	-	4,953,638	-	(18,785,492)	(18,120,450)
Total direct classroom services	105,529,948	3,985,187	8,856,670	-	(92,688,091)	(85,244,398)
Support Services						
Students	10,739,851	-	79,284	-	(10,660,567)	(9,970,186)
Instructional staff	6,012,392	-	1,892,617	-	(4,119,775)	(3,134,342)
General administration	737,544	-	-	-	(737,544)	(739,894)
School administration	10,640,385	-	87,880	-	(10,552,505)	(9,228,101)
Business, transportation and maintenance	75,610,275	964,987	659,448	662,417	(73,323,423)	(1,026,437)
Central activities	6,261,061	-	11,665	-	(6,249,396)	(3,948,907)
Supplemental retirement program	506,798	-	-	-	(506,798)	(676,422)
Total classroom support services	110,508,306	964,987	2,730,894	662,417	(106,150,008)	(28,724,289)
Enterprise and Community Services						
Food services	6,343,796	1,633,049	4,947,378	-	236,631	188,876
Other enterprise and community services	1,712,608	340,464	1,667,561	-	295,417	346,108
Total enterprise and community services	8,056,404	1,973,513	6,614,939	-	532,048	534,985
Interest on long-term liabilities	12,303,647	-	-	-	(12,303,647)	(12,964,399)
Total school district	<u>\$ 236,398,306</u>	<u>\$ 6,923,687</u>	<u>\$ 18,202,503</u>	<u>\$ 662,417</u>	<u>(210,609,699)</u>	<u>(126,398,101)</u>
General revenues:						
Property taxes levied for:						
General purposes					67,577,100	63,524,513
Debt service					21,311,889	20,383,428
Federal aid not restricted to specific purposes					241,959	189,805
State aid not restricted to specific purposes					82,315,733	75,139,105
Intermediate aid not restricted to specific purposes					2,198,068	2,002,712
Earnings on investments					389,721	470,074
Other local revenue					2,639,441	2,348,763
Total general revenues					<u>176,673,911</u>	<u>164,058,400</u>
Change in net position					(33,935,788)	37,660,299
Net position - beginning					<u>61,767,827</u>	<u>11,269,474</u>
Prior period adjustment						12,838,054
Net position - ending					<u>\$ 27,832,039</u>	<u>\$ 61,767,827</u>

See Notes to Financial Statements

Administrative School District No. 1  
Deschutes County, Oregon  
Balance Sheet  
Governmental Funds  
June 30, 2016, with Comparative Data

						Totals	
	General	Special Revenue	Debt Service	Capital Projects	2016	2015	
Assets							
Cash and investments	\$ 22,481,998	\$ 2,803,405	\$ 2,349,744	\$ 19,055,550	\$ 46,690,696	\$ 64,305,733	
Receivables							
Property taxes	2,086,037	-	645,771	-	2,731,808	2,844,910	
Accounts and other receivables	1,958,751	3,267,139	-	-	5,225,891	4,823,804	
Prepaid items	873,505	-	-	-	873,505	1,264,790	
Inventories	136,856	376,351	-	-	513,207	463,137	
Total Assets	<u>\$ 27,537,147</u>	<u>\$ 6,446,896</u>	<u>\$ 2,995,515</u>	<u>\$ 19,055,550</u>	<u>\$ 56,035,107</u>	<u>\$ 73,702,374</u>	
Liabilities, Deferred Inflows and Fund Balances							
Liabilities							
Accounts and interest payable	\$ 2,707,083	\$ -	\$ -	\$ -	\$ 2,707,083	\$ 4,967,881	
Accrued payroll and related charges	9,769,225	-	-	-	9,769,225	10,029,309	
Retainage payable	-	-	-	160,834	160,834	2,020,791	
Total Liabilities	<u>12,476,309</u>	<u>-</u>	<u>-</u>	<u>160,834</u>	<u>12,637,143</u>	<u>17,017,981</u>	
Deferred Inflows of Resources							
Unavailable Revenue-Property Taxes	<u>1,530,673</u>	<u>-</u>	<u>485,092</u>	<u>-</u>	<u>2,015,764</u>	<u>2,103,883</u>	
Fund Balances							
Nonspendable	1,010,360	376,351	-	-	1,386,712	1,727,927	
Restricted	904,822	3,360,335	2,510,423	18,894,715	25,670,296	41,050,598	
Assigned	6,160,148	2,710,209	-	-	8,870,357	7,875,696	
Unassigned	5,454,836	-	-	-	5,454,836	3,926,289	
Total fund balances	<u>13,530,166</u>	<u>6,446,896</u>	<u>2,510,423</u>	<u>18,894,715</u>	<u>41,382,200</u>	<u>54,580,510</u>	
Total Liabilities, Deferred Inflows and Fund Balances	\$ 27,537,147	\$ 6,446,896	\$ 2,995,515	\$ 19,055,550	\$ 56,035,107	\$ 73,702,374	

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, 2016

Total Fund Balances, June 30, 2016 (page 16)		\$	41,382,200
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost	\$	444,472,850	
Accumulated depreciation		<u>(130,067,521)</u>	314,405,329
The implementation of GASB 68 requires recording of the District's share of the PERS Net Pension Liability/Asset			
For 2015-16 the portion is recognized as a liability			(54,255,989)
Deferred outflow on refunding reported in the government wide statement of net position			2,402,921
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.			2,015,764
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		(2,950,381)	
GASB 68 Implementation-Deferred Outflows of Resources		12,402,584	
GASB 68 Implementation-Deferred Inflows of Resources		(11,621,054)	
Accrued interest payable		(466,506)	
Bonds payable		(261,839,756)	
Unamortized portion of bond issuance premium		(14,317,119)	
Net OPEB Obligation		1,530,673	
Compensated absences		(1,369,572)	
Accrued claims and judgments		485,092	
Early retirement benefits payable		<u>27,853</u>	<u>(278,118,186)</u>
Total Net Position (page 14)		\$	<u>27,832,039</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, 2016, with Comparative Data

					Totals	
	General Fund	Special Revenue	Debt Service	Capital Projects	2016	2015
Revenues						
Property taxes	\$ 67,670,605	\$ -	\$ 21,306,503	\$ -	\$ 88,977,107	\$ 84,294,179
Tuition	7,550	-	-	-	7,550	931,283
Investment earnings	238,852	10,161	66,204	74,511	389,728	375,454
Other local sources						
Print shop	1,454,248	13,091			1,467,339	1,095,904
Indirect	611,619	-			611,619	698,113
Charges for services	481,840	646,987			1,128,827	1,405,832
Other local sources	2,221,518	7,173,879	293,989	124,293	9,813,679	9,062,916
Intermediate sources						
County school fund	171,960				171,960	252,712
ESD apportionment	2,026,108	443,892			2,470,000	2,050,000
State sources						
State school fund	74,213,436	53,282	-	-	74,266,718	74,245,411
Common school fund	1,910,544	-	-	-	1,910,544	1,530,067
Other state sources	478,719	2,507,395	6,800,888	-	9,787,002	1,566,889
Federal Grant sources	291,746	12,321,127	-	-	12,612,873	14,578,816
Total revenues	151,778,745	23,169,814	28,467,584	198,803	203,614,946	192,087,576
Expenditures						
Current						
Instruction	92,286,686	9,512,596	-	-	101,799,281	97,324,478
Support services	55,456,528	3,558,264	1,150	-	59,015,943	55,626,457
Community services	267,904	8,277,397	-	-	8,545,301	7,968,693
Facilities acquisition and construction	-	-	-	816,525	816,525	888,383
Debt service						
Principal	609,820	-	15,007,277	-	15,617,096	14,338,921
Interest	94,386	-	13,220,707	-	13,315,093	13,643,564
Capital outlay	1,335,539	993,087	-	19,550,389	21,879,016	49,928,805
Total expenditures	150,050,863	22,341,344	28,229,134	20,366,915	220,988,256	239,719,301
Revenues over (under) expenditures	1,727,881	828,469	238,450	(20,168,111)	(17,373,309)	(47,631,725)
Other Financing Sources (Uses)						
General obligation bonds issued	-	-		4,175,000	4,175,000	-
Sale of capital assets	-	-	-	-	-	272,342
Total Other Financing Sources (Uses)	-	-	-	4,175,000	4,175,000	272,342
Net change in fund balances	1,727,881	828,469	238,450	(15,993,111)	(13,198,310)	(47,359,383)
Fund balances, beginning of year	11,802,284	5,618,426	2,271,973	34,887,827	54,580,510	101,939,893
Fund balances, end of year	\$ 13,530,165	\$ 6,446,895	\$ 2,510,423	\$ 18,894,715	\$ 41,382,199	\$ 54,580,510

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, 2016

Net Change in Fund Balance (page 18) \$ (13,198,310)

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	\$ 22,593,922	
Less current year depreciation	<u>(10,433,811)</u>	12,160,111

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 issued	(4,175,000)	
Debt principal repaid	<u>17,314,820</u>	13,139,820

In the Statement of Activities, pension expense is adjusted based on the actuarially  
determined contribution changes: (45,624,997)

Amortization deferred outflow on debt refunding (1,300,055)

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		1,808,451
--	--	-----------

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	(1,223,458)	
Accrued interest on general obligation bonds and other long term debt	<u>28,786</u>	(1,194,672)

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. (88,119)

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. (6,813)

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	452,519	
OPEB annual required contribution	(143,750)	
Estimated claims and judgments	<u>60,028</u>	<u>368,797</u>

Change in Net Position (page 15) \$ (33,935,788)

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 and Special Revenue Fund  
Year Ended June 30, 2016

	General Fund					
	Budgeted Amounts		Variance with Final Budget Over (Under)	Actuals		
	Adopted	Final		Budget Basis	Adjustments	GAAP Basis
Revenues						
Property taxes	\$ 65,160,661	\$ 65,160,661	\$ 2,509,944	\$ 67,670,605	\$ -	\$ 67,670,605
Tuition	-	-	7,550	7,550	-	7,550
Investment earnings	153,000	153,000	85,852	238,852	-	238,852
Other Local sources	4,549,500	4,549,500	219,725	4,769,225	-	4,769,225
Intermediate sources	2,345,000	2,345,000	(146,932)	2,198,068	-	2,198,068
State sources	76,592,704	76,592,704	9,995	76,602,699	-	76,602,699
Federal sources	28,000	28,000	263,746	291,746	-	291,746
Total revenues	148,828,865	148,828,865	2,949,880	151,778,745	-	151,778,745
Expenditures						
Current						
Instruction	92,739,623	92,739,623	(1) 439,734	92,299,889	(13,203)	92,286,686
Support services	58,362,224	58,362,224	(1) 1,583,360	56,778,864	(1,322,336)	55,456,528
Community services	294,278	294,278	(1) 26,374	267,904	-	267,904
Debt service	704,206	704,206	(1) -	704,206	(704,206)	-
Principal	-	-	-	-	609,820	609,820
Interest	-	-	-	-	94,386	94,386
Capital outlay	-	-	-	-	1,335,539	1,335,539
Total expenditures	152,100,331	152,100,331	2,049,467	150,050,863	-	150,050,863
Revenues over (under) expenditures	(3,271,466)	(3,271,466)	4,999,348	1,727,882	-	1,727,882
Other financing sources (uses)						
Transfer to general fund	-	-	-	-	-	-
Transfer from special revenue fund	250,000	250,000	(250,000)	-	-	-
Total other financing sources (uses)	250,000	250,000	(250,000)	-	-	-
Net change in fund balances	(3,021,466)	(3,021,466)	4,749,348	1,727,882	-	1,727,882
Fund balances, beginning of year	11,729,154	11,729,154	73,130	11,802,284	-	11,802,284
Fund balances, end of year	\$ 8,707,688	\$ 8,707,688	\$ 4,822,477	\$ 13,530,166	\$ -	\$ 13,530,166

(1) Appropriation level

See Notes to Financial Statements

Special Revenue Fund						
Budgeted Amounts		Variance with Final Budget		Actuals		
				Budget Basis	Adjustments	GAAP Basis
Adopted	Final	Over (Under)				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
5,000	5,000	5,161	10,161	-	-	10,161
8,050,000	8,050,000	(216,044)	7,833,956	-	-	7,833,956
-	-	443,892	443,892	-	-	443,892
2,548,000	2,548,000	12,677	2,560,677	(2)	-	2,560,677
13,600,000	13,600,000	(1,278,873)	12,321,127	-	-	12,321,127
24,203,000	24,203,000	(1,033,186)	23,169,814	-	-	23,169,814
12,188,000	12,188,000	(1)	1,912,892	10,275,108	(762,513)	9,512,596
4,368,000	4,368,000	(1)	729,040	3,638,960	(80,696)	3,558,264
8,497,000	8,497,000	(1)	69,724	8,427,276	(149,879)	8,277,397
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	993,087	-	993,087
25,053,000	25,053,000	-	2,711,656	22,341,344	-	22,341,344
(850,000)	(850,000)	-	1,678,470	828,470	-	828,470
(250,000)	(250,000)	-	250,000	-	-	-
-	-	-	-	-	-	-
(250,000)	(250,000)	(1)	250,000	-	-	-
(1,100,000)	(1,100,000)	-	1,928,470	828,470	-	828,470
4,000,000	4,000,000	-	1,618,426	5,618,426	-	5,618,426
\$ 2,900,000	\$ 2,900,000	\$	3,546,896	\$ 6,446,896	\$ -	\$ 6,446,896

(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 Net Position  
Fiduciary Fund - Private Purpose Trust Fund  
June 30, 2016, with Comparative Data

	Totals	
	2016	2015
Assets		
Cash and investments	\$ 87,413	\$ 80,478
Liabilities		
Other liabilities	-	-
Net Position, June 30	\$ 87,413	\$ 37,244

See Notes to Financial Statements

Administrative School District No. 1  
Deschutes County, Oregon  
Statement of Changes in Net Position  
Fiduciary Fund - Private Purpose Trust Fund  
Year Ended June 30, 2016, with Comparative Data

	Totals	
	2016	2015
Additions:		
Donations	\$ 7,300	\$ 45,568
Investment earnings	<u>285</u>	<u>117</u>
Total revenues	7,585	45,685
Deductions:		
Scholarships	<u>650</u>	<u>2,451</u>
Change in net position	6,935	43,234
Net Position, July 1	<u>80,478</u>	<u>37,244</u>
Net Position, June 30	<u><u>\$ 87,413</u></u>	<u><u>\$ 80,478</u></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, 2016**

**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, 2016**

**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 types:

*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, 2016**

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, cash with the county treasurer, 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, 2016.

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

**3. Inventories and prepaid items**

Print Shop supplies, maintenance supplies and 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 estimated fair market 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, certified employees, classified employees and eligible administrative supervisors who retire under PERS with ten years of regular service qualify for early retirement benefits which are funded and charged to expenses/expenditures on a pay-as-you-go basis. 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.

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

The District offers its employees a tax deferred annuity plan established pursuant to Section 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 08-09 school year, 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

**Administrative School District No. 1  
Deschutes County, Oregon  
Notes To Financial Statements  
June 30, 2016**

discount.

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, 2016**

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:

<b>General Fund</b>	
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, 2016 the District held cash of \$29,728,029 with a bank balance of \$30,704,838. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 for interest bearing accounts and 100% for non-interest bearing accounts applies to the deposits in each depository. 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, 2016 this amount was \$30,201,838. 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 still not guaranteeing that all funds are 100% protected.

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

Investments

At June 30, 2016 the District was invested as follows:

Investment type:	Credit quality	Reported amount	Maturities	
			Up to 6 months	6 months to 1 year
State of Oregon Investment Pool	N/A	\$ 17,000,090	\$ 17,000,090	\$ -
Certificates of Deposit	N/A	1,006,147	1,006,147	-
Total		<u>\$ 18,006,237</u>	<u>\$ 18,006,237</u>	<u>\$ -</u>

**Fair Value Measurements**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The District has no investments that are measured using Level 1 or Level 3 inputs.

Fair value measurements of the District's investments are as follows as of June 30, 2016:

- Local Government Investment Pool valued at \$17,000,090. The LGIP states in their footnotes that their investments are measured based on the latest bid prices or evaluated quotes from independent pricing vendors (Level 2 inputs).

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 Wells Fargo 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. The schedule above summarizes the District's holdings by rating.

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, 2016 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, 2016 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, 2016**

**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	70,622,552	21,936,127
Farm land and open space taxes	43,231	13,338
Other adjustments	27,723	8,553
Truncation gain	998	819
Loss to compression	(924,467)	-
Levy as extended on tax rolls	<u>69,770,036</u>	<u>21,958,836</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.

**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.



**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

Accounts and other receivables on the Statement of Net Position are comprised of the following as of June 30, 2016:

	Amount
Grants	\$ 3,267,139
Common school fund	1,146,326
Other	812,426
Total	<u>\$ 5,225,891</u>

**D. Capital assets**

Capital asset activity for the year-ended June 30, 2016 was as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated				
Land	\$ 32,060,809	\$		\$ 32,060,809
Construction in progress	56,842,699	-	54,025,243	2,817,457
Total non-depreciable assets	88,903,508	-	54,025,243	34,878,266
Capital assets being depreciated:				
Buildings and improvements	289,128,048	74,751,753	-	363,879,800
Site improvements	19,736,745	-	-	19,736,745
Vehicles and equipment	24,110,626	1,867,412	-	25,978,038
Total depreciable assets at cost	332,975,419	76,619,165	-	409,594,583
Less accumulated depreciation for:				
Buildings and improvements	(97,667,051)	(8,202,064)	-	(105,869,115)
Site improvements	(5,411,268)	(684,604)	-	(6,095,872)
Vehicles and equipment	(16,555,391)	(1,547,143)	-	(18,102,534)
Total accumulated depreciation	(119,633,710)	(10,433,811)	-	(130,067,521)
Total depreciable assets, net	213,341,709	66,185,355	-	279,527,062
Total capital assets, net	<u>\$ 302,245,216</u>	<u>\$ 66,185,355</u>	<u>54,025,243</u>	<u>\$ 314,405,328</u>

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

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

Program	Buildings	Improvements	Equipment	Total
Regular Instruction	\$ 7,930,040	\$ 643,688	\$ 367,570	\$ 8,941,298
Business Services	263,795	40,916	1,140,601	1,445,312
Food Services	7,287	-	34,387	41,674
Central Activities	942	-	4,584	5,527
	<u>\$ 8,202,064</u>	<u>\$ 684,604</u>	<u>\$ 1,547,143</u>	<u>\$ 10,433,811</u>

**E. Long-term liabilities**

Long-term liability activity for the year ended June 30, 2016, was as follows:

Issue Date:	Interest Rates	Original Amount	Balance June 30, 2015	Additions	Payments	Balance June 30, 2016	Due Within One Year
<b>General Obligation Bonds</b>							
March 15, 2005	3.0-5.0%	63,045,000	2,755,000	-	2,755,000	-	-
June 20, 2007	4.0-5.0%	119,000,000	24,035,000	-	9,970,000	14,065,000	14,065,000
March 7, 2013	2-5%	81,050,000	80,090,000	-	-	80,090,000	-
August 14, 2013	4-5%	91,825,000	91,825,000	-	-	91,825,000	-
April 19, 2016		4,175,000	-	4,175,000	-	4,175,000	455,000
Total General Obligation Bonds		359,095,000	198,705,000	4,175,000	12,725,000	190,155,000	14,520,000
<b>PERS Bonds</b>							
October 31, 2002	2.06-6.1%	40,926,719	36,611,981	531,567	1,760,000	35,383,548	1,935,000
April 21, 2003	1.5-6.27%	25,316,993	24,659,316	691,891	1,445,000	23,906,207	1,555,000
February 19, 2004	3.25-5.528%	5,930,000	5,245,000	-	190,000	5,055,000	215,000
January 30, 2012	2.75%	2,840,000	2,840,000	-	-	2,840,000	-
Total PERS Bonds		75,013,712	71,137,698	1,223,458	3,395,000	67,184,755	3,705,000
<b>Full Faith and Credit Bonds</b>							
March 20, 2011	2.0-4.0%	7,585,000	5,085,000	-	585,000	4,500,000	580,000
Premiums on Bonds			16,125,570	-	1,808,451	14,317,119	-
Total Bonds Payable			291,053,268	5,398,458	18,513,451	276,156,874	18,805,000
June 15, 2009	4.00%	2,900,000	1,299,311	-	305,779	993,532	318,141
July 1, 2012	1.99%	3,200,000	2,260,890	-	304,041	1,956,849	310,147
Total Long-Term Loans			4,152,152	-	609,820	2,950,380	628,288
Other Post-Employment Benefits			5,096,044	995,018	851,268	5,239,794	-
Early Retirement			1,822,092	45,427	497,946	1,369,573	434,876
Total Long-Term Liabilities			<u>\$ 302,123,556</u>	<u>\$ 6,438,903</u>	<u>\$ 20,472,486</u>	<u>\$ 285,716,622</u>	<u>\$ 19,868,164</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, 2016, the District's net bonded debt is \$1,429,877,787 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, 2016**

liability if applicable. In July, 2013, Moody's assigned an Aa2 to the District's bond rating in conjunction with the issuance of the new general obligation bonds. In February, 2013 the District refinanced a portion of the 2007 General Obligation Bonds. This refinancing was structured to save approximately \$3.8 million over the life of the debt. In August 2013, we issued \$92 million in general obligation bonds to fund new construction and capital improvements. In April 2016, we 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, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	14,480,000	8,141,631	22,621,631
2018	16,095,000	7,438,213	23,533,213
2019	17,560,000	6,809,163	24,369,163
2020	11,330,000	6,026,950	17,356,950
2021	12,450,000	5,489,050	17,939,050
2022-2026	66,150,000	18,788,563	84,938,563
2027-2031	47,685,000	7,435,100	55,120,100
2032-2033	4,405,000	283,275	4,688,275
	<u>\$ 190,155,000</u>	<u>\$ 60,411,944</u>	<u>\$ 250,566,944</u>

**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.

Future maturities to service the limited tax pension obligation bonds outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 2,591,884	\$ 3,763,710	\$ 6,355,594
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
2022-2026	34,823,728	10,260,511	45,084,239
2027-2028	14,080,000	1,040,969	15,120,969
	<u>\$ 67,184,755</u>	<u>\$ 28,292,658</u>	<u>\$ 95,477,413</u>

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

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
2017	580,000	180,000	\$ 760,000
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
2022-2024	1,650,000	131,600	1,781,600
	<u>\$ 4,500,000</u>	<u>\$ 801,600</u>	<u>\$ 5,301,600</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, we financed \$3,200,000 to purchase 28 school buses. The loan matures in 2022 and the fixed interest rate is 1.99%.

Future maturities to service the long-term loans outstanding as of June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	628,288	75,917	\$ 704,205
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>\$ 2,950,380</u>	<u>\$ 210,572</u>	<u>\$ 3,160,954</u>

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

Leases

The District leases facilities and equipment under non-cancelable operating leases. Total costs for such leases were \$218,823 for the year ended June 30, 2016. The future minimum lease payments for these leases are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2017	\$ 271,957
2018	277,296
2019	292,800
2020	215,993
2021	232,534
2022-2023	<u>327,858</u>
Total	<u>\$ 1,618,438</u>

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

**F. Interfund Transfers**

There were no Interfund transfers in 2015-16.

**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.

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

Details of fund balance classifications displayed in the aggregate are as follows:

**Details of fund balance classifications displayed in the aggregate**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	June 30, 2016	June 30, 2015
<b>Nonspendable:</b>						
Inventory	\$ 136,856	\$ 376,351	\$ -	\$ -	\$ 513,207	\$ 463,138
Prepaid items	873,505	-	-	-	873,505	1,264,790
<b>Restricted for:</b>						
Capital projects	-	-	-	18,894,715	18,894,715	34,887,827
Debt service	-	-	2,510,423	-	2,510,423	2,271,973
Federal and state grants	-	1,979,908	-	-	1,979,908	1,963,961
Transportation equipment	904,822	-	-	-	904,822	815,144
Energy efficiency program	-	1,380,427	-	-	1,380,427	1,111,693
<b>Assigned to:</b>						
Appropriated fund balance	2,533,067	-	-	-	2,533,067	2,606,486
Athletics	479,311	-	-	-	479,311	230,389
Early retirement funding	-	414,788	-	-	414,788	274,600
Facility grant	-	387,987	-	-	387,987	86,494
Facility usage	415,226	-	-	-	415,226	335,522
Instructional materials	106,496	-	-	-	106,496	634,548
Insurance reserve	516,424	-	-	-	516,424	369,380
Kindergarten academic enrichment	-	-	-	-	-	-
Maintenance replacement	366,863	-	-	-	366,863	211,193
Print shop equipment	234,917	-	-	-	234,917	121,684
Student activities	-	1,907,434	-	-	1,907,434	1,850,996
Teacher exchange program	-	-	-	-	-	-
Technology	1,507,845	-	-	-	1,507,845	1,154,405
<b>Unassigned:</b>	<u>5,454,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,454,835</u>	<u>3,926,288</u>
	<u>\$ 13,530,166</u>	<u>\$ 6,446,896</u>	<u>\$ 2,510,423</u>	<u>\$ 18,894,715</u>	<u>\$ 41,382,200</u>	<u>\$ 54,580,510</u>

**IV. Other Information**

**A. Termination benefits**

Special termination benefits have been made available to employees who meet guidelines of a plan adopted by the Board on May 3, 1983 and revised most recently on May 27, 2009. All employees are eligible to apply for participation in the plan if they have been employed with the District for at least the ten consecutive years prior to their retirement date and also qualify for retirement in accordance with the PERS/OPSRP guidelines in force at the time of early retirement.

The maximum monthly benefit paid by the District will be 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.

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

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 \$664,276 and covered 161 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.

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 under the plan were reduced each year by 10%. On June 30, 2013, the plan closed to new retirees.

Future maturities of termination benefits payable are as follows:

Year Ending	
June 30,	Amount
2017	\$ 434,876
2018	342,362
2019	240,238
2020	168,253
2021	99,409
2022-2025	84,436
	<u>\$ 1,369,574</u>

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

**B. Pension plan**

Plan Description

Administrative School District No. 1 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> PERS Pension (Chapter 238). 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 have been 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.

**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



**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

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, 2016 was 12.37% of covered annual payroll. The rate for OPSRP for the year ended June 30, 2016 was 7.68%. The contribution requirements of plan members are established by state statute. The employer contribution is set and may be amended by the Retirement Board.

At June 30, 2016, the District reported a net pension liability of \$54,255,989 for its proportionate share of the net pension asset. The pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. 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, 2015, the District's proportion was .94 percent.

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between projected and actual investment earnings	\$ 2,925,758	\$ -
Net difference between projected and actual earnings on investments	-	11,373,285
Changes in proportionate share Differences between employer contributions and employer's proportionate share of system contributions	1,097,661	
	-	247,769
Subtotal-amortized deferrals	<u>4,023,419</u>	<u>\$ 11,621,054</u>
District contributions subsequent to the measurement date	<u>8,379,165</u>	
	<u>\$ 12,402,584</u>	

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

Year ending		Amount
June 30		
2017	\$	(4,545,047)
2018	\$	(4,545,047)
2019	\$	(4,545,047)
2020		5,736,444
2021		301,062
Thereafter		-
	\$	<u>(7,597,635)</u>

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

Actuarial Valuations – The employer contribution rates effective July 1, 2013 through June 30, 2016, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

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, 2013 rolled forward to June 30, 2015
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	2.75 percent
Investment rate of return	7.75 percent
Projected salary increase	Blend of 2.0% COLA and graded COLA(1.25%/.15%), bend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, 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 (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

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. The method and assumptions shown are based on the 2012 Experience Study which is reviewed for the four-year period ending December 31, 2012.

Discount Rate – The discount rate used to measure the total pension liability was 7.75 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

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

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.

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 calculated using the discount rate of 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	Discount rate	Proportionate share of net pension liability (asset)
1% decrease	6.75%	130,944,810
Current discount rate	7.75%	54,255,989
1% increase	8.75%	(10,372,540)

**Deferred Items**

Deferred items are calculated at the Plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2015, the following deferred items are reported:

- Difference between expected and actual experience, amortized over 5.4 years
- Changes in employer proportion since the prior measurement date, amortized over 5.4 years
- Net Difference between projected and actual earnings, amortized over a closed five-year period.
- Difference between employer contributions and proportionate share of contributions, amortized over 5.4 years.
- Employer contributions made after the measurement date.

Detailed information about PERS' fiduciary net position is available in the separately issued financial report available online at the below website, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700,

[http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

**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' 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

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

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.

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.

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

The following table shows the components of the District's OPEB cost for the year ending June 30, 2016, 2015, and 2014 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		
	2016	2015	2014
Normal cost at year end	\$ 580,676	\$ 580,676	\$ 689,831
Amortization of UAAL	513,866	513,866	700,100
	<u>\$ 1,094,542</u>	<u>\$ 1,094,542</u>	<u>\$ 1,389,930</u>

Determination of Net OPEB Obligation

Annual required contribution (ARC)	\$ 1,094,542	\$ 1,094,542	\$ 1,389,930
Interest on Net OPEB Obligation	152,881	148,115	135,740
Adjustment to ARC for Net OPEB Obligation	(252,405)	(244,532)	(224,105)
Annual OPEB cost	<u>995,018</u>	<u>998,125</u>	<u>1,301,565</u>
Expected contributions	<u>(851,268)</u>	<u>(839,209)</u>	<u>(889,109)</u>
Increase in net OPEB obligation	143,750	158,916	412,456
Net OPEB obligation, beginning of fiscal year	<u>5,096,044</u>	<u>4,937,128</u>	<u>4,524,672</u>
Net OPEB obligation, end of fiscal year	<u>\$ 5,239,794</u>	<u>\$ 5,096,044</u>	<u>\$ 4,937,128</u>
Percentage of ARC contributed	77.8%	76.7%	64.0%

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

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 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) 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 key actuarial assumptions used in the valuation as of June 30, 2015 include the following:

- Investment returns assumption: 3.0%
- Inflation rate assumption: 2.5%
- Medical/RX annual trend rate: 6.4% initial increase in 2016-17, reducing to 5.0% over the next 15 years
- Rates of retirement and withdrawal are the same rates that were used in the 12/31/13 actuarial valuation of the Oregon Public Employees Retirement System for school district employees.
- 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 70%, and active female participants are 60%

As of June 30, 2016, the AAL for benefits was \$10,072,786, and the actuarial value of assets was \$0, resulting in an unfunded AAL of \$10,072,786. 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 \$1,094,542 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.

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.

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

**D. 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 2015-16 that were unpaid as of June 30, 2016. The estimate was calculated based on district experience and actual claims paid after June 30, 2016. A reconciliation of the claims liability is as follows:

	Year Ending June 30	
	2016	2015
Beginning balance	\$ 8,640	\$ 32,030
Claims incurred	60,627	17,268
Claims paid	(30,635)	(40,658)
Ending balance	<u>\$ 38,632</u>	<u>\$ 8,640</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 fiscal year 2015-16 that were unpaid as of June 30, 2016. The liability was calculated using actual claims settled and paid after June 30, 2016. A reconciliation of the claims liability is as follows:

	Year Ending June 30	
	2016	2015
Beginning balance	\$ 575,338	\$ 360,796
Claims incurred	73,883	214,542
Claims paid	(163,903)	-
Ending balance	<u>\$ 485,318</u>	<u>\$ 575,338</u>

**E. Commitments and contingencies**

As of June 30, 2016, the District has contractual commitments for construction District improvement projects.

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



**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Notes To Financial Statements**  
**June 30, 2016**

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.

**F. 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. Subsequent events**

With higher than projected enrollment and enrollment changes by location, we purchased two modular classrooms to provide instruction spaces. We purchased five new school buses to keep up with growth needs and replacement needs. The Board approved Desert Sky Montessori as a charter school. It is set to open in the fall of 2017. Our 2017-19 PERS employer rates are set to increase by five percentage points.

**H. Restatement of previously issued government wide financial statements**

During fiscal year 2015-16, management discovered an error in the accounting for the 2013 GO Bond Refunding during fiscal year 2012-13. \$14,679,800 in payments to the Escrow Agent were charged to expense, rather than capitalized as a deferred inflow as required by GAAP. The newly recorded deferred inflow will be amortized over 11 years, the life of the new bond issue.

The following table illustrates the impact of recording the deferred charge and the subsequent annual charges to interest expense:

	June 30, 2013	June 30, 2014	June 30, 2015
Unrestricted net assets as reported	\$ (3,640,452)	\$ (5,756,282)	\$ (69,575,124)
Restatement:			
Record amortized interest savings - 2013	14,679,800	14,679,800	14,679,800
Increase in interest expense - 2013	(541,690)	(541,690)	(541,690)
Increase in interest expense - 2014		(1,300,056)	(1,300,056)
Increase in interest expense - 2015			(1,300,056)
Unrestricted net assets as restated	\$ 10,497,658	\$ 7,081,772	\$ (58,037,126)

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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, 2016

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%	TBD	TBD

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. Covered payroll for 7/1/2014 will be available in the next scheduled actuarial report.

Fiscal Year	Percentage of Annual OPEB			
	Annual OPEB cost	Actual Employer Contributions	Cost Contributed	Net OPEB Obligation
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	63.90%	4,524,672
2014	1,301,565	889,109	68.45%	4,937,128
2015	998,125	839,209	84.10%	5,096,044
2016	995,018	851,268	85.60%	5,239,794

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, 2016

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) covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.94%	\$ 54,255,989	\$85,613,516	63.4%	91.9%
2015	0.88	(19,970,972)	80,315,145	(24.9)	103.6
2014	0.88	44,961,459	76,781,668	58.6	92.0

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, 2016

<u>Year Ended June 30,</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the Statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered payroll</u>	<u>Contributions as a percent of covered payroll</u>
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.

In August 2013, we sold \$92 million general obligation bonds. In April 2016, we issued \$4 million general obligation bonds, which is the remaining portion of 2013 voter approved amount (total \$96 million). We completed construction of two new schools and other construction projects throughout the district. These projects will be completed over the next two years.

### **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, 2016, with Comparative Data

	General Operations	Athletics and Activities	Instructional Materials	Transportation Equipment
<b>Assets</b>				
Cash and investments	\$ 17,980,050	\$ 479,311	\$ 106,496	\$ 904,822
Receivables				
Property taxes	2,086,037	-	-	-
Accounts and other receivables	1,928,797	-	-	-
Prepaid items	873,505	-	-	-
Inventories	44,027	-	-	-
<b>Total Assets</b>	<b>\$ 22,912,415</b>	<b>\$ 479,311</b>	<b>\$ 106,496</b>	<b>\$ 904,822</b>
<b>Liabilities, Deferred Inflows and Fund Balances</b>				
<b>Liabilities</b>				
Accounts and interest payable	\$ 2,707,083	\$ -	\$ -	\$ -
Accrued payroll and related charges	9,769,225	-	-	-
Retainage	-	-	-	-
<b>Total Liabilities</b>	<b>12,476,309</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue-Property Taxes	1,530,673	-	-	-
<b>Fund Balances</b>				
Nonspendable	917,532	-	-	-
Restricted	-	-	-	904,822
Assigned	2,533,067	479,311	106,496	-
Unassigned	5,454,836	-	-	-
<b>Total Fund Balances</b>	<b>8,905,434</b>	<b>479,311</b>	<b>106,496</b>	<b>904,822</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 22,912,415</b>	<b>\$ 479,311</b>	<b>\$ 106,496</b>	<b>\$ 904,822</b>

Print Shop Equipment	Facility Usage	Technology Reserve	Maintenance Replacement	Insurance Reserve	2016	2015
\$ 233,501	\$ 398,686	\$ 1,495,845	\$ 366,863	\$ 516,424	\$ 22,481,998	\$ 23,817,099
-	-	-	-	-	2,086,037	2,167,927
1,415	16,540	12,000	-	-	1,958,751	1,010,711
-	-	-	-	-	873,505	1,264,790
92,829	-	-	-	-	136,856	132,455
<u>\$ 327,744</u>	<u>\$ 415,226</u>	<u>\$ 1,507,845</u>	<u>\$ 366,863</u>	<u>\$ 516,424</u>	<u>\$ 27,537,147</u>	<u>\$ 28,392,982</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,707,083	\$ 4,967,881
-	-	-	-	-	9,769,225	10,029,309
-	-	-	-	-	-	-
-	-	-	-	-	12,476,309	14,997,190
-	-	-	-	-	1,530,673	1,593,508
92,829	-	-	-	-	1,010,360	1,397,245
-	-	-	-	-	904,822	815,144
234,916	415,226	1,507,845	366,863	516,424	6,160,148	5,663,606
-	-	-	-	-	5,454,836	3,926,289
<u>327,744</u>	<u>415,226</u>	<u>1,507,845</u>	<u>366,863</u>	<u>516,424</u>	<u>13,530,166</u>	<u>11,802,284</u>
<u>\$ 327,744</u>	<u>\$ 415,226</u>	<u>\$ 1,507,845</u>	<u>\$ 366,863</u>	<u>\$ 516,424</u>	<u>\$ 27,537,147</u>	<u>\$ 28,392,982</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, 2016, with Comparative Data

	General Operations	Athletics and Activities	Instructional Materials	Transportation Equipment
Revenues				
Property taxes	\$ 67,670,605	\$ -	\$ -	\$ -
Tuition	7,550	-	-	-
Investment earnings	236,458	-	-	1,413
Other local sources	1,584,460	462,376	-	7,316
Intermediate sources	2,198,068	-	-	-
State sources	75,370,282	-	-	1,232,417
Federal sources	291,746	-	-	-
Total revenues	147,359,169	462,376	-	1,241,146
Expenditures				
Current				
Instruction	88,575,300	1,847,630	1,818,052	-
Support services	54,031,820	287,614	-	-
Community services	121,021	-	-	-
Debt service			-	
Principal	-	-	-	609,820
Interest	-	-	-	94,386
Capital outlay	206,862	13,203	-	532,763
Total expenditures	142,935,003	2,148,447	1,818,052	1,236,969
Revenues over (under) expenditures	4,424,165	(1,686,071)	(1,818,052)	4,177
Other financing sources (uses)				
Proceeds from lease financing	-	-	-	-
Transfers	(3,360,493)	1,934,993	1,290,000	85,500
Total other financing sources (uses)	(3,360,493)	1,934,993	1,290,000	85,500
Net change in fund balances	1,063,672	248,922	(528,052)	89,677
Fund balances, beginning of year	7,841,762	230,389	634,548	815,145
Fund balances, end of year	\$ 8,905,434	\$ 479,311	\$ 106,496	\$ 904,822

Print Shop Equipment	Facility Usage	Technology Reserve	Maintenance Replacement	Insurance Reserve	2016	2015
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,670,605	\$ 63,910,743
-	-	-	-	-	7,550	5,550
-	-	-	-	981	238,852	169,484
938,695	341,121	828,551	201,016	405,691	4,769,225	4,134,843
-	-	-	-	-	2,198,068	1,852,712
-	-	-	-	-	76,602,699	70,478,792
-	-	-	-	-	291,746	245,953
938,695	341,121	828,551	201,016	406,672	151,778,745	140,798,077
-	39,262	-	-	6,443	92,286,686	85,992,440
820,891	119,272	(101,600)	45,346	253,185	55,456,528	51,173,806
-	146,883	-	-	-	267,904	265,848
-	-	-	-	-	609,820	591,952
-	-	-	-	-	94,386	112,254
-	6,000	576,711	-	-	1,335,539	989,725
820,891	311,417	475,111	45,346	259,628	150,050,863	139,126,025
117,803	29,704	353,440	155,670	147,045	1,727,882	1,672,052
-	-	-	-	-	-	-
-	50,000	-	-	-	-	-
-	50,000	-	-	-	-	85,418
117,803	79,704	353,440	155,670	147,045	1,727,881	1,672,052
209,941	335,522	1,154,405	211,193	369,380	11,802,285	10,130,232
<u>\$ 327,744</u>	<u>\$ 415,226</u>	<u>\$ 1,507,845</u>	<u>\$ 366,863</u>	<u>\$ 516,424</u>	<u>\$ 13,530,166</u>	<u>\$ 11,802,284</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, 2016

	Budgeted Amounts		Variance with Final Budget	Actuals		
	Adopted	Final	Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Property taxes	\$ 65,160,661	\$ 65,160,661	\$ 2,509,944	\$ 67,670,605	\$ -	\$ 67,670,605
Tuition	-	-	7,550	7,550	-	7,550
Investment earnings	150,000	150,000	86,458	236,458	-	236,458
Other Local sources	1,812,500	1,812,500	(228,040)	1,584,460	-	1,584,460
Intermediate sources	2,345,000	2,345,000	(146,932)	2,198,068	-	2,198,068
State sources	75,933,839	75,933,839	(563,557)	75,370,282	-	75,370,282
Federal sources	28,000	28,000	263,746	291,746	-	291,746
Total revenues	145,430,000	145,430,000	1,929,169	147,359,169	-	147,359,169
Expenditures						
Current						
Instruction	87,853,224	87,853,224	(722,076)	88,575,300	-	88,575,300
Support services	54,700,330	54,700,330	461,648	54,238,682	(206,862)	54,031,820
Community services	132,778	132,778	11,757	121,021	-	121,021
Capital outlay	-	-	-	-	206,862	206,862
Total expenditures	142,686,332	142,686,332	(248,671)	142,935,003	-	142,935,003
Revenues over (under) expenditures	2,743,668	2,743,668	1,680,497	4,424,165	-	4,424,165
Other financing sources (uses)						
Transfers	(3,360,493)	(3,360,493)	-	(3,360,493)	-	(3,360,493)
Net change in fund balances	(616,825)	(616,825)	1,680,497	1,063,672	-	1,063,672
Fund balances, beginning of year	7,900,000	7,900,000	(58,238)	7,841,762	-	7,841,762
Fund balances, end of year	<u>\$ 7,283,175</u>	<u>\$ 7,283,175</u>	<u>\$ 1,622,259</u>	<u>\$ 8,905,434</u>	<u>\$ -</u>	<u>\$ 8,905,434</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, 2016

	Budgeted Amounts		Variance with	Actuals		
	Adopted	Final	Final Budget Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Other Local sources	\$ 460,000	\$ 460,000	\$ 2,376	\$ 462,376	\$ -	\$ 462,376
Expenditures						
Current						
Instruction	2,008,099	2,008,099	147,266	1,860,833	(13,203)	1,847,630
Support services	426,894	426,894	139,280	287,614	-	287,614
Capital outlay	-	-	-	-	13,203	13,203
Total expenditures	2,434,993	2,434,993	286,546	2,148,447	-	2,148,447
Revenues over (under) expenditures	(1,974,993)	(1,974,993)	288,922	(1,686,071)	-	(1,686,071)
Other financing sources						
Transfers	1,934,993	1,934,993	-	1,934,993	-	1,934,993
Net change in fund balances	(40,000)	(40,000)	288,922	248,922	-	248,922
Fund balances, beginning of year	80,000	80,000	150,389	230,389	-	230,389
Fund balances, end of year	\$ 40,000	\$ 40,000	\$ 439,311	\$ 479,311	\$ -	\$ 479,311

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, 2016

	Budgeted Amounts		Variance with Final Budget Over (Under)	Actuals		
	Adopted	Final		Budget Basis	Adjustments	GAAP Basis
Expenditures						
Current						
Instruction	<u>1,890,000</u>	<u>1,890,000</u>	<u>71,948</u>	<u>1,818,052</u>	<u>-</u>	<u>1,818,052</u>
Total expenditures	<u>1,890,000</u>	<u>1,890,000</u>	<u>71,948</u>	<u>1,818,052</u>	<u>-</u>	<u>1,818,052</u>
Revenues over (under) expenditures	(1,890,000)	(1,890,000)	71,948	(1,818,052)	-	(1,818,052)
Other financing sources						
Transfers	<u>1,290,000</u>	<u>1,290,000</u>	<u>-</u>	<u>1,290,000</u>	<u>-</u>	<u>1,290,000</u>
Net change in fund balances	(600,000)	(600,000)	71,948	(528,052)	-	(528,052)
Fund balances, beginning of year	<u>600,000</u>	<u>600,000</u>	<u>34,548</u>	<u>634,548</u>	<u>-</u>	<u>634,548</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,496</u>	<u>\$ 106,496</u>	<u>\$ -</u>	<u>\$ 106,496</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, 2016

	Budgeted Amounts		Variance with	Actuals		
	Adopted	Final	Final Budget Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Investment earnings	\$ -	\$ -	\$ 1,413	\$ 1,413	\$ -	\$ 1,413
State sources	658,865	658,865	573,552	1,232,417	-	1,232,417
Total revenues	658,865	658,865	582,281	1,241,146	-	1,241,146
Expenditures						
Current						
Support services	500,000	500,000	(32,763)	532,763	(532,763)	-
Debt service	704,206	704,206	-	704,206	(704,206)	-
Principal	-	-	-	-	609,820	609,820
Interest	-	-	-	-	94,386	94,386
Capital Outlay	-	-	-	-	532,763	532,763
Total expenditures	1,204,206	1,204,206	(32,763)	1,236,969	-	1,236,969
Revenues over (under) expenditures	(545,341)	(545,341)	615,044	4,177	-	4,177
Other financing sources (uses)						
Transfers	85,500	85,500	-	85,500	-	85,500
Total other financing sources	85,500	85,500	582,281	85,500	-	85,500
Net change in fund balance	(459,841)	(459,841)	1,197,325	89,677	-	89,677
Fund balances, beginning of year	806,154	806,154	8,991	815,145	-	815,145
Fund balances, end of year	\$ 346,313	\$ 346,313	\$ 1,206,316	\$ 904,822	\$ -	\$ 904,822

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, 2016

	Budgeted Amounts		Variance with	Actuals		
	Adopted	Final	Final Budget Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Other Local sources	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ (161,305)</u>	<u>\$ 938,695</u>	<u>\$ -</u>	<u>\$ 938,695</u>
Expenditures						
Current						
Support services	<u>1,100,000</u>	<u>1,100,000</u>	<u>279,109</u>	<u>820,891</u>	<u>-</u>	<u>820,891</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>117,803</u>	<u>117,803</u>	<u>-</u>	<u>117,803</u>
Fund balances, beginning of year	<u>250,000</u>	<u>250,000</u>	<u>(40,059)</u>	<u>209,941</u>	<u>-</u>	<u>209,941</u>
Fund balances, end of year	<u><u>\$ 250,000</u></u>	<u><u>\$ 250,000</u></u>	<u><u>\$ 77,744</u></u>	<u><u>\$ 327,744</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 327,744</u></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, 2016

	Budgeted Amounts		Variance with Final Budget	Actuals		
	Adopted	Final	Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Other Local sources	<u>\$ 380,000</u>	<u>\$ 380,000</u>	<u>\$ (38,879)</u>	<u>\$ 341,121</u>	<u>\$ -</u>	<u>\$ 341,121</u>
Expenditures						
Current						
Instruction	100,000	100,000	60,739	39,262	-	39,262
Support services	160,000	160,000	34,728	125,272	(6,000)	119,272
Community services	161,500	161,500	14,617	146,883	-	146,883
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>6,000</u>
Total expenditures	<u>421,500</u>	<u>421,500</u>	<u>110,083</u>	<u>311,417</u>	<u>-</u>	<u>311,417</u>
Revenues over (under) expenditures	(41,500)	(41,500)	71,204	29,704	-	29,704
Other financing sources						
Transfers	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net change in fund balance	8,500	8,500	71,204	79,704	-	79,704
Fund balances, beginning of year	<u>180,000</u>	<u>180,000</u>	<u>155,522</u>	<u>335,522</u>	<u>-</u>	<u>335,522</u>
Fund balances, end of year	<u>\$ 188,500</u>	<u>\$ 188,500</u>	<u>\$ 226,726</u>	<u>\$ 415,226</u>	<u>\$ -</u>	<u>\$ 415,226</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, 2016

	Budgeted Amounts		Variance with Final Budget	Actuals		
	Adopted	Final	Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Other Local sources	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 478,551</u>	<u>\$ 828,551</u>	<u>\$ -</u>	<u>\$ 828,551</u>
Total revenues	350,000	350,000	478,551	828,551	-	828,551
Expenditures						
Current						
Instruction	711,000	711,000	711,000	-	-	-
Support services	780,000	780,000	304,889	475,111	(576,711)	(101,600)
Debt service	-	-	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>576,711</u>	<u>576,711</u>
Total expenditures	<u>1,491,000</u>	<u>1,491,000</u>	<u>1,015,889</u>	<u>475,111</u>	<u>-</u>	<u>475,111</u>
Revenues over (under) expenditures	(1,141,000)	(1,141,000)	1,494,440	353,440	-	353,440
Net change in fund balance	(1,141,000)	(1,141,000)	1,494,440	353,440	-	353,440
Fund balances, beginning of year	<u>1,241,000</u>	<u>1,241,000</u>	<u>(86,595)</u>	<u>1,154,405</u>	<u>-</u>	<u>1,154,405</u>
Fund balances, end of year	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 1,407,845</u>	<u>\$ 1,507,845</u>	<u>\$ -</u>	<u>\$ 1,507,845</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, 2016

	Budgeted Amounts		Variance with	Actuals		
	Adopted	Final	Final Budget Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Other Local sources	\$ -	\$ -	\$ 201,016	\$ 201,016	\$ -	\$ 201,016
Total revenues	-	-	201,016	201,016	-	201,016
Expenditures						
Current						
Support services	350,000	350,000	304,654	45,346	-	45,346
Total expenditures	350,000	350,000	304,654	45,346	-	45,346
Revenues over (under) expenditures	(350,000)	(350,000)	505,670	155,670	-	155,670
Other financing sources						
Transfers	250,000	250,000	(250,000)	-	-	-
Net change in fund balance	(100,000)	(100,000)	255,670	155,670	-	155,670
Fund balances, beginning of year	300,000	300,000	(88,807)	211,193	-	211,193
Fund balances, end of year	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 166,863</u>	<u>\$ 366,863</u>	<u>\$ -</u>	<u>\$ 366,863</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, 2016

	Budgeted Amounts		Variance with	Actuals		
	Adopted	Final	Final Budget Over (Under)	Budget Basis	Adjustments	GAAP Basis
Revenues						
Investment earnings	\$ 3,000	\$ 3,000	\$ (2,019)	\$ 981	\$ -	\$ 981
Other local sources	447,000	447,000	(41,309)	405,691	-	405,691
Total Revenues	450,000	450,000	(43,328)	406,672	-	406,672
Expenditures						
Current						
Instruction	177,300	177,300	170,857	6,443	-	6,443
Support services	345,000	345,000	91,815	253,185	-	253,185
Total Expenditures	522,300	522,300	262,672	259,628	-	259,628
Net change in fund balance	(72,300)	(72,300)	219,345	147,045	-	147,045
Fund balances, beginning of year	372,000	372,000	(2,620)	369,380	-	369,380
Fund balances, end of year	<u>\$ 299,700</u>	<u>\$ 299,700</u>	<u>\$ (2,620)</u>	<u>\$ 516,424</u>	<u>\$ -</u>	<u>\$ 516,424</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, 2016

	Budgeted Amounts		Variance with Final Budget Over (Under)	Actuals		
	Adopted	Final		Budget Basis	Adjustments	GAAP Basis
Revenues						
Property taxes	\$ 21,342,440	\$ 21,342,440	\$ (35,937)	\$ 21,306,503	\$ -	\$ 21,306,503
Investment earnings	28,000	28,000	38,204	66,204	-	66,204
Other Local sources	-	-	293,989	293,989	-	293,989
Intermediate sources	-	-	-	-	-	-
State sources	6,055,138	6,055,138	745,750	6,800,888	-	6,800,888
Total revenues	27,425,578	27,425,578	1,042,006	28,467,584	-	28,467,584
Expenditures						
Current:						
Support Services	3,000	3,000	(1) 1,850	1,150	-	1,150
Debt service	28,228,076	28,228,076	(1) 92	28,227,984	(28,227,984)	-
Principal	-	-	-	-	15,007,277	15,007,277
Interest	-	-	-	-	13,220,707	13,220,707
Total expenditures	28,231,076	28,231,076	1,941	28,229,134	-	28,229,134
Net change in fund balance	(805,498)	(805,498)	1,043,947	238,450	-	238,450
Fund balances, beginning of year	2,023,498	2,023,498	248,475	2,271,973	-	2,271,973
Fund balances, end of year	\$ 1,218,000	\$ 1,218,000	\$ 1,292,422	\$ 2,510,423	\$ -	\$ 2,510,423

(1) Appropriation level

Administrative School District No. 1  
Deschutes County, Oregon  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual  
Capital Projects Fund  
Year Ended June 30, 2016

	Budgeted Amounts		Variance with Final Budget	Actuals		
	Adopted	Final		Budget Basis	Adjustments	GAAP Basis
Revenues			Over (Under)			
Investment earnings	\$ 150,000	\$ 150,000	\$ (75,489)	\$ 74,511	\$ -	\$ 74,511
Other Local sources	-	-	124,293	124,293	-	124,293
Total revenues	150,000	150,000	48,803	198,803	-	198,803
Expenditures						
Current						
Facilities acquisition and construction	37,600,000	37,600,000	(1) 17,233,085	20,366,915	(19,550,389)	816,525
Capital outlay	-	-	-	-	19,550,389	19,550,389
Total expenditures	37,600,000	37,600,000	17,233,085	20,366,915	-	20,366,915
Revenues over (under) expenditures	(37,450,000)	(37,450,000)	17,281,889	(20,168,111)	-	(20,168,111)
Other Financing Uses						
General obligation bonds issued	-	-	(4,175,000)	4,175,000	-	4,175,000
Total other financing uses	-	-	(4,175,000)	4,175,000	-	4,175,000
Net change in fund balance	(37,450,000)	(37,450,000)	13,106,889	(15,993,111)	-	(15,993,111)
Fund balances, beginning of year	43,150,000	43,150,000	(8,262,173)	34,887,827	-	34,887,827
Fund balances, end of year	\$ 5,700,000	\$ 5,700,000	\$ 4,844,715	\$ 18,894,715	\$ -	\$ 18,894,715

(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, 2016

	<u>Budgeted Amounts</u>		Variance with Final Budget Over (Under)	<u>Actuals</u>		
	<u>Adopted</u>	<u>Final</u>		<u>Budget Basis</u>	<u>Adjustments</u>	<u>GAAP Basis</u>
Revenues						
Investment earnings	\$ 5,000	\$ 5,000	\$ (4,715)	\$ 285	\$ -	\$ 285
Donations	-	-	7,300	7,300	-	7,300
Total revenues	5,000	5,000	2,585	7,585	-	7,585
Expenditures						
Current						
Enterprise and community	5,000	5,000	(1) 4,350	650	-	650
Net change in fund balance	-	-	6,935	6,935	-	6,935
Fund balances, beginning of year	35,000	35,000	45,478	80,478	-	80,478
Fund balances, end of year	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 52,413</u>	<u>\$ 87,413</u>	<u>\$ -</u>	<u>\$ 87,413</u>

(1) Appropriation level

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## **OTHER FINANCIAL SCHEDULES**

**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Schedule Of Expenditures Of Federal Awards**  
**For the Fiscal Year Ended June 30, 2016**

Federal Grantor and Pass Through Agency	Program Title	CFDA Number	Pass- Through Grantor Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
Passed through Oregon Department of Education:				
	School Breakfast Program	10.553	902001	1,302,887
	National School Lunch Program	10.555	902001	3,119,259
	Child and Adult Care Food Program	10.558	902001	347,516
	Summer Food Service Program for Children	10.559	902001	168,264
	Subtotal Nutrition Cluster			4,937,926 (1)
	Fresh Fruit and Vegetable Program	10.582	902001	131,702
	Subtotal Passed Through Oregon Department of Education			5,069,628
Direct Programs:				
	Schools and Roads - Grants to Counties	10.666		241,959
	<b>Total U.S. Department of Agriculture</b>			<b>5,311,587</b>
<b><u>U.S. Department of Education</u></b>				
Passed through Oregon Department of Education:				
	Title I Grants to Local Education Agencies	84.010	25171	56,145
		84.010	25203	200,055
		84.010	26876	13,429
		84.010	22572	2,892,359
		84.010	28335	35,966
	Subtotal Title I Cluster			3,197,954
	Project School Emergency Response to Violence	84.184S		
	Special Education - Grants to States	84.027	24936	3,809
		84.027	26415	16,076
		84.027	26638	2,594,995
		84.027	25686	8,214
		84.027	30073	4,127
	Special Education - Preschool Grants	84.173	24149&	
			26222	16,366
	Special Education - State Vocational Rehabilitation	84.126A		95,679
	Special Education - Grants to States	84.027	26000	
	Subtotal IDEA Cluster			2,739,266
	Improving Teacher Quality State Grants	84.367	25425	5,248
		84.367	22754	417,021
		84.367	38158	75
				422,344
	English Language Acquisition State Grants	84.365	25107	79,153
	Subtotal Passed Through Oregon Department of Education			6,438,717

(1) Major program



**Administrative School District No. 1**  
**Deschutes County, Oregon**  
**Schedule Of Expenditures Of Federal Awards**  
**For the Fiscal Year Ended June 30, 2016**

Federal Grantor and Pass Through Agency	Program Title	CFDA Number	Pass- Through Grantor Identifying Number	Federal Expenditures
Passed Through Oregon University System:				
	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		24,284
	Subtotal Passed Through Oregon University System			24,284
Passed Through High Desert ESD:				
	Career and Technical Education - Basic Grants to States	84.048		43,540
	Education for Homeless Children and Youth	84.196		12,385
	Subtotal Passed Through High Desert ESD			55,925
Passed Through Chalkboard Project:				
	Teacher Incentive Fund	84.385A		646,941
	Subtotal Passed Through Chalkboard Project			646,941 (1)
Direct Programs:				
	National Junior ROTC	12.000		74,254
	National Junior ROTC	12.000		4,598
<b>Total U.S. Department of Education</b>				<b>7,244,719</b>
<b><u>U.S. Department of Health and Human Services</u></b>				
Passed through Oregon Employment Department:				
	Child Care and Development Block Grant	93.575		49,788
<b>Total U.S. Department of Health and Human Services</b>				<b>49,788</b>
<b>Total Federal Financial Assistance</b>				<b>12,606,093</b>
<b><u>U.S. Department of Agriculture</u></b>				
Passed through Oregon Department of Education:				
	Commodities from Private Schools	n/a	902001	6,780
<b>Grand Total Federal Financial Assistance</b>				<b>12,612,873</b>

Notes:

This schedule is presented on the modified accrual basis of accounting, which is consistent with the preparation of the District's financial statements.

(1) Major program

## Significant Accounting Policies

### **Note A – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Redmond School District No. 2J (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.

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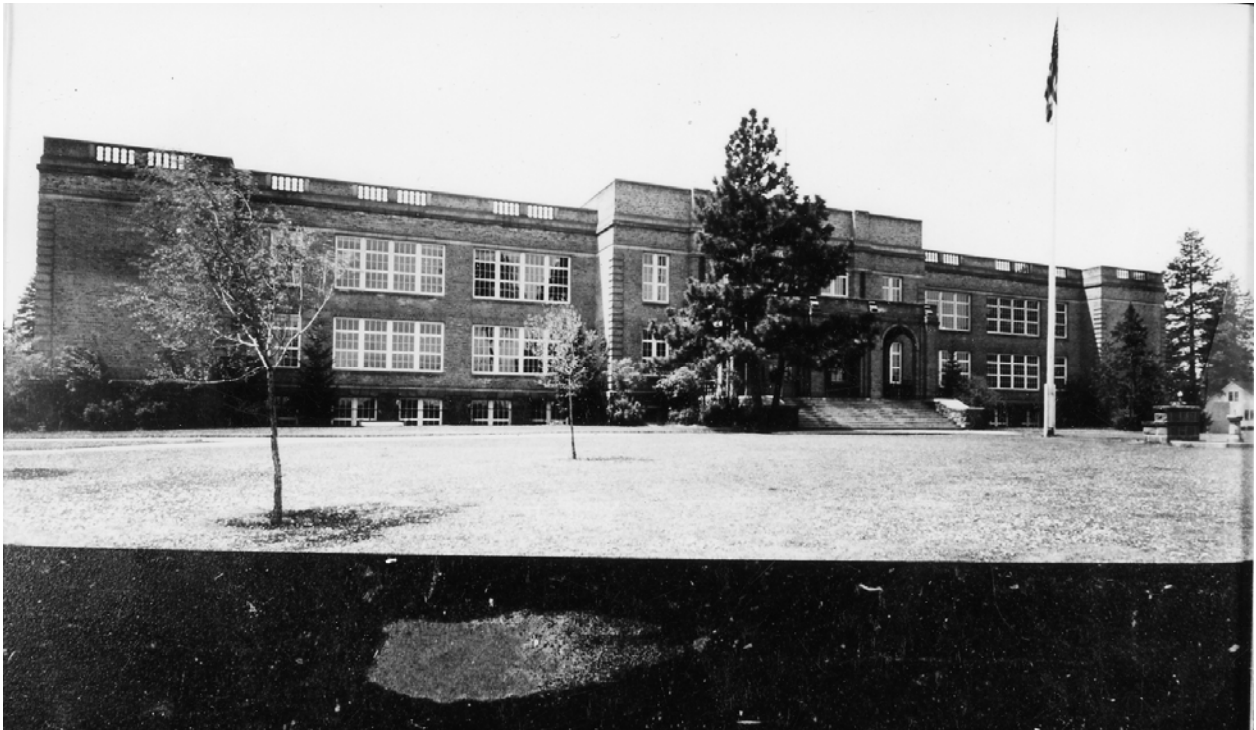
Administrative School District No. 1  
Deschutes County, Oregon  
Schedule of Future Debt Service by Issue - Bond Principal and Interest  
June 30, 2016

Year of Maturity	October 31, 2002			April 21, 2003		February 19, 2004		June 20, 2007	
	Total	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	29,216,807	1,935,000	1,536,139	1,555,000	760,237	215,000	276,118	14,065,000	682,600
2018	29,999,992	2,120,000	1,536,139	1,670,000	760,237	250,000	265,104		
2019	31,284,235	2,315,000	1,536,139	1,795,000	760,237	285,000	252,046		
2020	24,310,814	2,515,000	1,536,139	1,920,000	760,237	320,000	236,876		
2021	25,296,521	-	1,536,139	2,050,000	760,237	365,000	219,682		
2022	26,802,827	3,095,000	1,536,139	2,185,000	760,237	410,000	199,888		
2023	27,950,831	3,495,000	1,366,533	2,330,000	760,237	455,000	177,449		
2024	29,135,303	3,925,000	1,174,658	2,480,000	760,237	510,000	152,296		
2025	28,334,844	4,390,000	956,820	2,775,000	621,108	565,000	124,104		
2026	19,580,596	4,890,000	713,175	3,095,000	463,488	625,000	92,870		
2027	20,460,255	5,430,000	441,780	3,435,000	287,692	690,000	58,320		
2028	15,328,839	2,530,000	140,415	1,630,000	92,584	365,000	20,177		
2029	11,003,863								
2030	11,476,388								
2031	11,971,725								
2032	2,713,225								
2033	1,975,050								
<hr/>									
	\$ 346,842,113	\$ 36,640,000	\$ 14,010,215	\$ 26,920,000	\$ 7,546,768	\$ 5,055,000	\$ 2,074,931	\$ 14,065,000	\$ 682,600

March 20, 2011		January 30, 2012		March 7, 2013		August 14, 2013		April 19, 2016	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
580,000	180,000	-	78,100	-	3,399,300	-	3,954,313	415,000	105,419
575,000	156,800	-	78,100	8,485,000	3,399,300	6,750,000	3,954,313	860,000	84,600
570,000	133,800	-	78,100	9,315,000	3,059,600	7,500,000	3,684,313	745,000	65,250
565,000	111,000	-	78,100	10,290,000	2,594,150	-	3,384,313	1,040,000	48,488
560,000	88,400	2,840,000	78,100	11,335,000	2,079,650	-	3,384,313	1,115,000	25,088
555,000	66,000	-	-	12,335,000	1,626,250	650,000	3,384,313		
550,000	43,800			13,530,000	1,009,500	875,000	3,358,313		
545,000	21,800			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/>									
\$ 4,500,000	\$ 801,600	\$ 2,840,000	\$ 390,500	\$80,090,000	\$17,500,750	\$ 91,825,000	\$ 41,899,750	\$ 4,175,000	\$328,844

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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 .....75-84**

*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 .....85-86**

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

### **Debt Capacity .....87-92**

*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 .....93-94**

*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 .....95-100**

*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)**

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Net Investment in Capital Assets	\$ 61,745	\$ 70,806	\$ 75,762	\$ 87,553
Restricted	5,019	10,808	12,380	9,902
Unrestricted	<u>2,658</u>	<u>1,513</u>	<u>2,497</u>	<u>1,773</u>
Total governmental activities net position	<u>\$ 69,422</u>	<u>\$ 83,127</u>	<u>\$ 90,639</u>	<u>\$ 99,228</u>

Fiscal Year					
2011	2012	As Restated 2013	As Restated 2014	As Restated 2015	2016
\$ 96,467	\$ 106,451	\$ 99,681	\$103,831	\$111,248	\$118,403
8,996	6,050	7,685	8,567	8,557	25,671
3,149	1,857	10,497	7,081	(58,038)	(116,242)
<u>\$108,612</u>	<u>\$ 114,358</u>	<u>\$ 117,863</u>	<u>\$ 119,479</u>	<u>\$ 61,767</u>	<u>\$ 27,832</u>

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

Expenses	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Regular instruction	\$ 58,094	\$ 62,788	\$ 64,627	\$ 60,911
Special programs including summer school	19,348	21,262	22,407	22,741
Students	6,881	8,227	9,298	9,457
Instructional staff	3,407	3,768	4,286	4,428
General administration	660	618	577	610
School administration	7,862	8,357	8,768	8,356
Business, transportation and maintenance	18,074	20,289	21,119	19,907
Central activities	4,350	4,668	5,133	5,016
Supplemental retirement program	2,352	2,459	2,504	2,618
Food services	4,533	4,814	4,923	4,840
Other enterprise and community services	206	456	643	651
Interest on long-term liabilities	8,705	13,222	13,066	13,004
Total governmental activities	<u>134,472</u>	<u>150,928</u>	<u>158,570</u>	<u>152,539</u>
Program revenues				
Governmental activities				
Charges for services				
Regular instruction	3,834	3,540	3,437	3,519
Special programs including summer school	104	-	-	-
Business, transportation and maintenance	1,014	1,122	1,069	796
Food services	1,867	1,833	1,661	1,477
Other enterprise and community services	314	353	274	264
Operating grants and contributions	11,740	14,053	22,008	20,906
Capital grants and contributions	268	4,152	446	488
Total governmental activities program revenues	<u>19,141</u>	<u>25,053</u>	<u>28,895</u>	<u>27,450</u>
Total governmental net expense	<u>(115,331)</u>	<u>(125,875)</u>	<u>(129,675)</u>	<u>(125,089)</u>
General revenues and other changes in net position				
Governmental activities				
Property taxes levied for:				
General purposes	47,278	50,844	54,576	56,571
Debt service	16,179	16,730	17,813	20,806
Federal aid not restricted to specific purposes	682	678	610	547
State aid not restricted to specific purposes	55,956	58,754	57,735	50,449
Intermediate aid not restricted to specific purposes	1,467	1,990	2,062	1,865
Earnings on investments	2,151	7,802	2,355	631
Other local revenue	2,875	2,782	2,037	2,809
Total governmental activities	<u>126,588</u>	<u>139,580</u>	<u>137,188</u>	<u>133,678</u>
Change in net position				
Governmental activities	<u>\$ 11,257</u>	<u>\$ 13,705</u>	<u>\$ 7,513</u>	<u>\$ 8,589</u>

Fiscal Year					
2011	2012	As restated 2013	As restated 2014	As restated 2015	2016
\$ 62,037	\$ 62,873	\$ 65,480	\$72,461	\$74,280	\$81,791
23,071	23,295	24,177	25,089	23,932	23,739
9,463	9,834	10,256	10,541	10,070	10,740
4,222	4,743	5,004	5,800	6,066	6,012
625	673	655	661	740	737
8,615	8,703	9,002	9,765	9,478	10,640
20,659	20,837	21,944	22,667	3,232	75,610
4,832	5,465	4,634	4,941	3,968	6,261
2,592	2,571	2,527	2,493	676	507
5,225	5,626	5,560	5,764	5,804	6,344
686	783	1,252	1,525	1,606	1,713
12,340	11,659	23,007	14,275	12,965	12,304
<u>154,367</u>	<u>157,062</u>	<u>173,498</u>	<u>175,982</u>	<u>152,817</u>	<u>236,398</u>
3,272	3,289	3,447	3,588	3,634	3,985
-	-	-	-	-	-
767	755	819	977	932	965
1,358	1,340	1,369	1,401	1,443	1,633
234	254	316	353	350	340
20,650	20,398	17,267	17,538	19,425	18,203
489	429	707	670	636	662
<u>26,770</u>	<u>26,465</u>	<u>23,925</u>	<u>24,527</u>	<u>26,420</u>	<u>25,788</u>
<u>(127,597)</u>	<u>(130,597)</u>	<u>(149,573)</u>	<u>(151,455)</u>	<u>(126,397)</u>	<u>(210,610)</u>
56,293	55,824	55,777	59,048	63,524	67,577
21,857	19,292	18,498	18,791	20,383	21,312
2,165	293	286	284	190	242
51,280	56,639	59,337	69,610	75,139	82,316
1,699	1,492	1,411	1,828	2,003	2,198
315	274	208	1,138	470	390
3,372	2,528	2,882	2,373	2,349	2,639
<u>136,981</u>	<u>136,342</u>	<u>138,399</u>	<u>153,072</u>	<u>164,058</u>	<u>176,674</u>
<u>\$ 9,384</u>	<u>\$ 5,745</u>	<u>\$ (11,174)</u>	<u>\$ 1,617</u>	<u>\$ 37,661</u>	<u>\$ (33,936)</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			
	2007	2008	2009	2010
General fund				
Reserved	\$ 53	\$ 73	\$ -	\$ -
Unreserved	8,276	7,121	-	-
Nonspendable	-	-	146	225
Restricted	-	-	2,426	420
Assigned	-	-	9,989	7,847
Unassigned	-	-	1,504	4,499
Total general fund	<u>8,329</u>	<u>7,194</u>	<u>14,065</u>	<u>12,991</u>
All other governmental funds				
Reserved	5,585	1,752	-	-
Unreserved, reported in:				
Special revenue fund	3,546	3,618	-	-
Capital project fund	116,583	77,233	-	-
Nonspendable, reported in:				
Special revenue fund	-	-	348	378
Restricted, reported in:				
Special revenue fund	-	-	1,073	1,408
Debt service fund	-	-	367	1,575
Capital project fund	-	-	44,752	17,218
Assigned, reported in:				
Special revenue fund	-	-	1,244	2,406
Total all other governmental funds	<u>\$ 125,714</u>	<u>\$ 82,603</u>	<u>\$ 47,784</u>	<u>\$ 22,985</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					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
198	202	167	857	1,397	1,010
343	206	312	311	815	905
8,676	8,466	4,954	3,629	5,664	6,160
4,863	5,091	5,949	5,332	3,926	5,454
<u>14,080</u>	<u>13,965</u>	<u>11,382</u>	<u>10,130</u>	<u>11,803</u>	<u>13,530</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
432	416	406	366	331	376
1,523	2,250	2,356	2,657	3,076	3,360
2,476	1,756	3,701	2,784	2,272	2,511
3,594	1,188	955	84,114	34,888	18,895
<u>2,645</u>	<u>2,601</u>	<u>1,698</u>	<u>1,888</u>	<u>2,212</u>	<u>2,710</u>
<u>\$ 10,670</u>	<u>\$ 8,211</u>	<u>\$ 9,116</u>	<u>\$ 91,809</u>	<u>\$ 42,779</u>	<u>\$ 27,852</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				
	2007	2008	2009	2010	2011
Revenues					
Property taxes	\$ 62,894	\$ 66,235	\$ 70,667	\$ 77,167	\$ 78,352
Tuition	251	149	153	472	542
Revenue from local governments	-	3,819	-	-	-
Investment earnings	2,151	7,802	2,355	631	315
Other Local sources (including indirect cost allocation)	11,209	10,679	10,691	11,363	10,682
Intermediate sources	1,602	1,991	2,095	1,932	1,699
State sources	56,903	62,930	64,123	52,536	54,051
Federal sources	10,448	10,009	14,626	17,231	18,783
Total revenues	145,458	163,614	164,710	161,331	164,424
Expenditures					
Current					
Instruction	73,309	79,793	80,991	76,830	78,506
Support services (including indirect cost allocation)	42,956	47,030	49,243	48,899	49,029
Community services (including indirect cost allocation)	4,641	5,150	5,396	5,381	5,952
Debt service:					
Principal	15,537	12,418	11,301	13,864	15,778
Interest	7,227	12,214	11,942	12,225	11,787
Capital outlay	6,155	51,256	45,784	30,004	14,767
Total expenditures	149,825	207,860	204,657	187,204	175,819
Revenues over (under) expenditures	(4,367)	(44,247)	(39,947)	(25,873)	(11,395)
Other Financing Sources (Uses)					
Refunding bonds issued	-	-	-	-	7,585
Payment to refunded bond escrow agent	-	-	-	-	(7,868)
Premium on bonds issued	3,769	-	-	-	452
General obligation bonds issued	119,000	-	-	-	-
Sale of capital assets	-	-	-	-	-
Lease purchase / long term loan proceeds	2,250	-	12,000	-	-
Total Other Financing Sources (uses)	125,019	-	12,000	-	169
Net change in fund balances	\$ 120,652	\$ (44,247)	\$ (27,947)	\$ (25,873)	\$ (11,226)
Ratio of total debt service to noncapital expenditures	16%	16%	15%	17%	17%

Note: The figures in this chart include all funds presented on page 17 of the basic financial statements.  
The Community Services line includes Nutrition Services expenditures beginning in 2007.



Fiscal year				
2012	2013	2014	2015	2016
\$ 76,013	\$ 75,662	\$78,346	\$84,294	\$88,977
636	731	842	931	8
-	-	-	-	-
274	208	421	376	390
11,538	11,321	12,269	12,263	13,021
1,597	1,525	1,929	2,303	2,642
61,067	60,668	71,169	77,342	85,964
13,677	14,749	13,706	14,579	12,613
164,802	164,864	178,682	192,088	203,615
79,519	82,921	90,667	97,324	101,799
51,236	51,678	54,895	55,626	59,016
6,581	6,987	7,472	7,969	8,545
18,004	13,588	13,143	14,339	15,617
11,023	24,360	13,269	13,644	13,315
3,855	4,611	14,352	50,817	22,696
170,218	184,145	193,798	239,719	220,988
(5,416)	(19,281)	(15,116)	(47,631)	(17,373)
2,840	-	91,825	-	-
-	-	-	-	-
-	14,404	4,732	-	-
-	-	-	-	4,175
-	-	-	272	-
-	3,200	-	-	-
2,840	17,604	96,557	272	4,175
\$ (2,576)	\$ (1,677)	\$ 81,441	\$ (47,359)	\$ (13,198)
17%	21%	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>
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
2007	13,870,767	27,611,646	383,447	383,447	61,946	67,553

**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		Range of Total Direct Tax Rates Paid	Assessed Value as a Percentage of Estimated
Assessed Value	Estimated Actual Value	Assessed Value	Taxable Assessed Value	Estimated Actual Value		Actual Value
\$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%
331,845	338,869	22,612	14,625,393	28,401,515	2.6548-5.7385	51.575%

**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
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
2007	6.28	4.78	0.10	4.87	0.63	1.46			3.02	2.38	0.06	23.58

**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.

**Administrative District No. 1  
Deschutes County, Oregon  
Principal Taxpayers - Deschutes County  
Current Year and Nine Years Ago**

Taxpayer	Type of Business	2016				2007			
		Assessed Valuation	Ad Valorem Tax Paid	Rank in Taxes Paid	Percentage of Total Taxes Paid	Assessed Valuation	Ad Valorem Tax Paid	Rank in Taxes Paid	Percentage of Total Taxes Paid
TDS Baja Bendbroadband LLC	Cable Company	\$ 218,359,000	\$ 3,270,366	1	1.05%	-	-	-	-
Pacificorp (P P&I)	Electric Company	85,994,000	1,279,231	2	0.41%	46,818,000	630,335	4	0.30%
Gas Transmission NW Corp.	Natural Gas Utility	68,929,100	839,261	3	0.27%	72,491,300	821,175	2	0.39%
Cascade Natural Gas Corp.	Natural Gas Utility	54,078,000	807,562	4	0.26%	36,688,000	524,380	6	0.25%
Bend Research Inc		46,999,420	692,222	5	0.22%	-	-	-	-
Touchmark at Mount Bachelor Village, LLC	Resort Retirement Community	44,466,290	678,788	6	0.18%	-	-	-	-
Suterra LLC	Biorational Company	47,416,970	626,260	7	0.18%	-	-	-	-
CVSC LLC	Shopping Center	38,467,390	579,403	8	0.22%	-	-	-	-
Deschutes Brewery Inc.	Restaurant	38,414,200	570,569	9	0.19%	-	-	-	-
Century Link	Cable Company	38,262,000	554,716	10	0.18%	-	-	-	-
Quest Corporation	Telephone Company	-	-	-		59,287,100	823,649	1	0.39%
Pronghorn Investors, LLC	Real Estate Development	-	-	-		55,264,883	739,466	3	0.35%
Eagle Crest Inc	Destination Resort	-	-	-		40,425,179	537,653	5	0.26%
Sunriver Resort	Real Estate Development	-	-	-		34,896,821	463,948	7	0.22%
Mt Bachelor	Ski Resort	-	-	-		35,491,614	406,797	8	0.20%
Sima Mountain View LLC	Shopping Center	-	-	-		25,226,589	377,962	9	0.18%
Bend Millwork Systems	Manufacturing	-	-	-		25,182,750	377,306	10	0.18%
		<u>\$ 681,386,370</u>	<u>\$ 9,898,378</u>		<u>3.15%</u>		<u>\$ 5,702,671</u>		<u>2.73%</u>

Source:

Information was obtained from the Deschutes County Assessor pg 10  
n/a - not available

**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		Collected within the Fiscal Year of the Levy		Total Collections to Date		
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
Collected within the Fiscal Year of the Levy	Total Tax Levy for Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2016	\$ 91,728,870	\$ 87,438,223	95.3%		\$ 87,438,223	95.3%
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%
2007	64,786,892	61,231,491	94.5%	2,022,677	63,254,168	97.6%

Source:

Levy information was obtained from Deschutes County

**Administrative District No. 1**  
**Deschutes County, Oregon**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2016**

Jurisdiction	Gross Bonded Debt Outstanding	Percentage Applicable to ASD No. 1	Amount Applicable to ASD No. 1
Bend Metro Park & Rec District	\$ 30,671,413	100.00%	\$ 30,671,413
Central Oregon Community College	65,283,951	100.00%	39,938,240
Central Oregon Regional Housing Authority	4,618,128	60.98%	3,362,824
City of Bend	76,188,874	100.00%	76,188,874
City of La Pine	435,000	100.00%	435,000
Deschutes County	65,012,315	72.64%	47,340,602
Deschutes Cty RFPD 2 (Bend)	1,265,000	74.22%	947,205
Deschutes Public Library District	555,000	72.64%	404,139
HFA Deschutes County	111,750,000	66.38%	81,374,003
High Desert ESD	11,405,121	100.00%	7,612,793
LaPine Parks & Recreation District	430,000	100.00%	430,000
Subtotal, overlapping debt			288,705,093
Administrative School Dist No. 1 direct debt			<u>\$ 279,107,256</u>
Total direct and overlapping debt			<u><u>\$ 567,812,349</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**

Governmental Activities						Percentage of		
Fiscal Year	General Obligation Bonds	Full Faith & Credit Obligations	Loans	Capital Leases	Premium on Bonds	Total	Personal Income	Per Capita
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	N/A	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
2007	199,230,000	75,228,674	-	-	3,856,450	278,315,124	5.00%	1,780

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:	2016	2015	2014	2013	2012
Real market value	\$21,279,466	\$ 18,608,982	\$ 16,076,707	\$15,123,058	\$15,382,464
Debt limit = Real market value X .0795 =	1,691,718	1,479,414	1,278,098	1,202,283	1,222,906
Computation of debt margin:					
Total General obligation bonds	190,155	198,705	210,210	128,755	139,585
Less assets available in debt service fund	(2,510)	(2,272)	(2,783)	(3,701)	(1,756)
Total amount of debt subject to debt limit	<u>187,645</u>	<u>196,433</u>	<u>207,427</u>	<u>125,054</u>	<u>137,829</u>
Legal debt margin	<u>\$ 1,504,073</u>	<u>\$ 1,282,981</u>	<u>\$ 1,070,671</u>	<u>\$ 1,077,229</u>	<u>\$ 1,085,077</u>
Ratio of legal debt margin to the debt limit	89%	87%	84%	90%	89%

Source:

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

Real market value was obtained from Deschutes County

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$16,728,771	\$23,471,846	\$26,716,128	\$26,299,093	\$20,269,952
1,329,937	1,866,012	2,123,932	2,090,778	1,611,461
152,475	166,015	177,755	187,880	199,230
<u>(2,476)</u>	<u>(1,575)</u>	<u>(367)</u>	<u>(1,428)</u>	<u>(5,192)</u>
<u>149,999</u>	<u>164,440</u>	<u>177,388</u>	<u>186,452</u>	<u>194,038</u>
<u>\$ 1,179,938</u>	<u>\$ 1,701,571</u>	<u>\$ 1,946,544</u>	<u>\$ 1,904,326</u>	<u>\$ 1,417,423</u>
89%	91%	92%	91%	88%

**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 June 30,	Gross Bonded Debt	Debt Service Fund Balance	Net Bonded Debt	Ratio of Net Bonded Debt to Real Market Value	Net Bonded Debt Per Capita
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
2007	199,230,000	5,191,797	182,688,203	0.90%	1,185

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 Year	Population	Unemployment Rate	Per capita Income	Total Personal Income	Civilian	Average Daily Membership	Annual Cost Per ADM
					Labor Force		
2016	170,740	5.1%	Not Available	Not Available	88,985	17,446	\$ 13,476
2015	166,400	6.2%	Not Available	Not Available	81,325	16,467	9,201
2014	162,525	8.1%	Not Available	Not Available	77,925	16,051	10,883
2013	160,140	10.8%	Not Available	Not Available	80,505	15,763	10,973
2012	158,875	11.8%	Not Available	Not Available	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
2007	143,316	4.9%	36,282	5,565,902,000	83,097	14,620	9,198

**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	<u>2016</u>			<u>2007</u>		
	Employees	Rank	Percentage of Total County Employees	Employees	Rank	Percentage of Total County Employees
St Charles Medical Center	3,057	1	3.90%	-	-	-
Administrative School District No. 1	1,797	2	2.29%	1,661	2	2.08%
Deschutes County	1,062	3	1.36%	850	4	1.06%
Sunriver Resort	936	4	1.20%	870	3	1.09%
COCC	884	5	1.13%	-	-	-
Les Schwab	871	6	1.11%	-	-	-
Bright Wood Corporation	855	7	1.09%	-	-	-
Redmond School District	851	8	1.09%	699	8	0.87%
Safeway	828	9	1.06%	-	-	-
Mt Bachelor	769	10	0.98%	765	5	0.96%
Cascade Health Corp	-	-	-	2,512	1	3.14%
Sunriver Resort	-	-	-	-	-	-
T-Mobile	-	-	-	701	6	0.88%
Jeld Wen	-	-	-	550	9	0.69%
iSky	-	-	-	700	7	0.88%
Columbia Aircraft Manufacturing	-	-	-	545	10	0.68%
	<u>11,910</u>		<u>15.21%</u>	<u>9,853</u>		<u>12.32%</u>

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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Function:					
Regular instruction	639.80	687.54	695.60	639.05	630.59
Special programs including summer school	294.11	310.15	300.97	304.61	304.18
Student services	100.10	113.55	119.38	125.62	122.78
Instructional staff	36.83	37.03	38.81	41.42	40.52
General administration	2.00	2.00	2.00	2.23	2.23
School administration	105.82	105.76	105.53	104.36	107.14
Business, transportation and maintenance	208.84	211.91	211.59	216.63	218.19
Central activities	33.81	36.43	36.15	34.03	32.66
Food services	55.93	59.33	59.06	57.65	62.99
Other enterprise and community services	0.78	7.27	10.49	10.05	10.60
Facilities acquisition and construction	<u>7.20</u>	<u>7.20</u>	<u>7.20</u>	<u>6.45</u>	<u>4.20</u>
Total	<u><u>1,485.22</u></u>	<u><u>1,578.17</u></u>	<u><u>1,586.78</u></u>	<u><u>1,542.10</u></u>	<u><u>1,536.08</u></u>

**Source:**

Information was obtained from District's payroll records

**Note:**

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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Function:					
Instruction					
Enrollment	15,077	15,607	15,951	15,834	16,161
Transportation					
Number of busses	116	116	117	118	121
Miles driven per year	1,639,986	1,696,668	1,753,574	1,705,606	1,716,585
Cost per mile	3.60	3.89	3.91	3.92	3.95
Students transported to school daily	7,170	7,255	7,563	6,648	6,824
Food services					
Free lunch participants	3,889	4,156	4,398	5,876	6,184
Reduced lunch participants	1,288	1,265	1,267	1,162	990
Percent free/reduced of total enrollment	34%	35%	36%	44%	44%

Source:

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

Enrollment is as of October 1 of each fiscal year



2012	2013	2014	2015	2016
16,300	16,600	16,863	17,163	17,534
133	133	133	130	139
1,535,703	1,636,654	1,679,498	1,580,045	1,951,595
4.40	4.06	4.31	4.54	3.64
5,221	5,232	5,361	4,705	4,595
6,504	6,427	6,404	4,701	4,371
1,117	1,021	992	953	1,007
47%	45%	44%	33%	31%

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Function:					
Instruction					
Number of elementary schools	14	14	15	16	17
Number of middle schools	5	5	5	5	5
Number of high schools schools	5	5	5	5	5
Elementary school enrollment	6,734	7,085	7,004	6,967	7,214
Middle school enrollment	3,294	3,344	3,637	3,640	3,679
High school enrollment	5,049	5,178	5,300	5,227	5,268
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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
17	17	17	17	18
5	5	5	5	7
5	5	5	5	5
7,301	7,522	7,719	7,827	8,046
3,669	3,713	3,785	3,862	3,962
5,330	5,365	5,359	5,474	5,526
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, 2016**

Building	Enrollment	Capacity without modular classrooms	Percent of Capacity	Year of Building Construction
Elementary Schools:				
Amity Creek	176	150	117%	1948
Bear Creek	590	600	98%	1963
Buckingham	562	600	94%	1980
Ensworth	245	300	82%	2005
Elk Meadow	574	600	96%	1993
Highland	386	375	103%	1918
High Lakes	614	600	102%	2000
Jewell	522	600	87%	1974
Juniper	554	560	99%	1965
LaPine	382	600	64%	1993
Lava Ridge	566	600	94%	1994
Pine Ridge	530	600	88%	2004
Ponderosa	569	600	95%	2008
Rosland	175	300	58%	2010
Silver Rail	390	600	65%	2015
Westside Village (K-8)	279	382	73%	1949
William E Miller	607	600	101%	2009
Three Rivers (K-8)	399	450	89%	1989
Total	8,120	9,117	89%	
Middle Schools:				
Cascade	570	800	71%	1978
High Desert	720	800	90%	1993
Pilot Butte	671	825	81%	1967
Pacific Crest	642	800	80%	2015
LaPine	290	550	53%	1978
REALMS	149	150	99%	1991
Skyview	712	800	89%	2000
Total	3,754	4,725	79%	
High Schools:				
Bend	1,710	1,550	110%	1956
LaPine	425	550	77%	1961
Marshall	172	200	86%	1948
Mountain View	1,405	1,500	94%	1978
Summit	1,490	1,500	99%	2000
Total	5,202	5,300	98%	

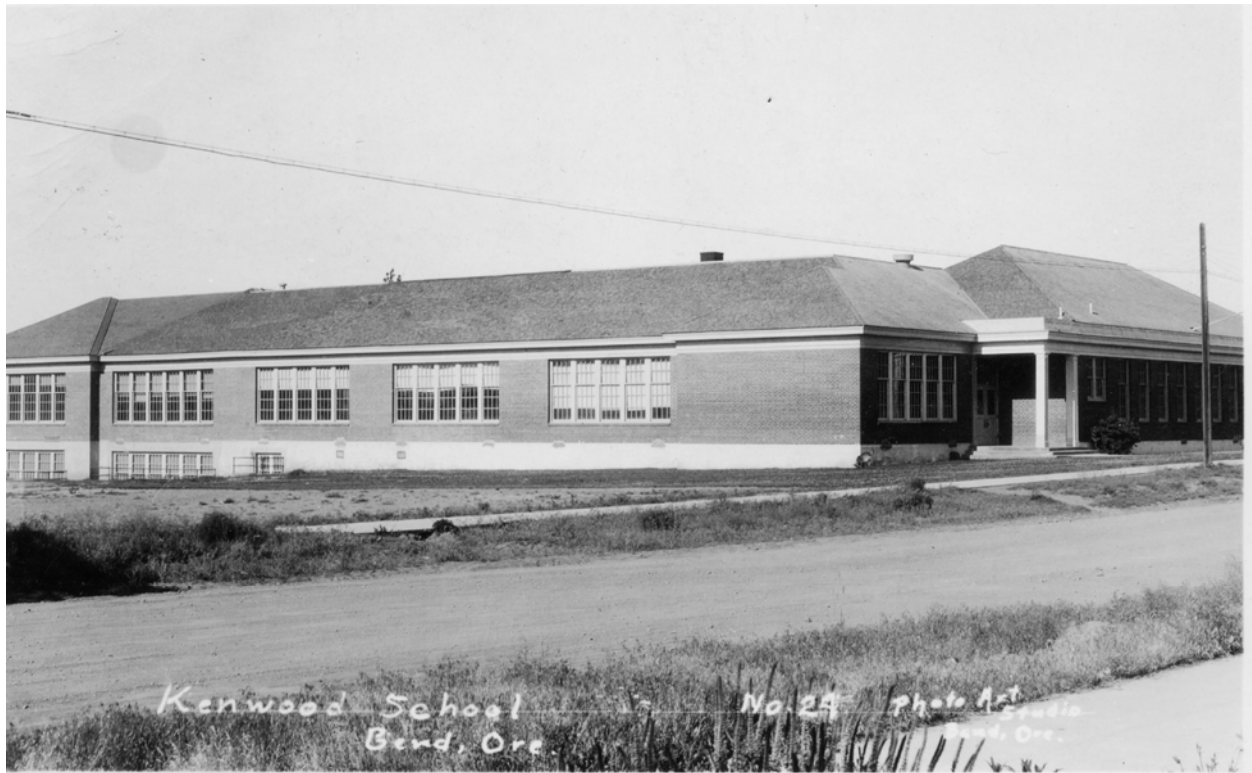
**Note:**

Enrollment is as of October 1, 2016

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)  
Year Ended June 30, 2016

	<u>Fund 100</u>	<u>Fund 200</u>	<u>Fund 300</u>
Revenue from Local Sources			
1110 - Current Year Taxes	\$ 67,670,605	\$ -	\$ 21,306,503
1330 - Summer Sch Tuition Individuals	7,550	-	-
1500 - Interest on Investments	238,852	10,161	66,204
1600 - Meal Tickets Sales	-	1,633,049	-
1700 - Extracurricular Activities	462,346	3,120,338	-
1910 - Scheduling Fee	340,464	-	-
1920 - Contributions Donations	50,000	1,672,583	-
1960 - Recovery of Pr Yr Expenditures	67,661	-	-
1970 - Services Provided Other Funds	481,840	646,987	-
1980 - Fees Charged to Grants	611,619	-	-
1990 - Miscellaneous	<u>2,750,558</u>	<u>761,000</u>	<u>293,989</u>
Total Revenue from Local Sources	72,681,495	7,844,118	21,666,696
Revenue from Intermediate Sources			
2101 - County School Funds	171,961	-	-
2102 - ESD Apportionment	<u>2,026,108</u>	<u>443,892</u>	<u>-</u>
Total Revenue from Intermediate Sources	2,198,069	443,892	-
Revenue from State Sources			
3101 - State School Fund	73,551,019	-	6,800,888
3102 - State School Fund Lunch Match	-	53,282	-
3103 - Common School Fund	1,910,544	-	-
3199 - Othr Unrest Grants in Aid	-	-	-
3222 - State School Fund Trans Equip	662,417	-	-
3299 - Other Restricted Grants In Aid	<u>478,719</u>	<u>2,507,395</u>	<u>-</u>
Total Revenue from State Sources	76,602,699	2,560,677	6,800,888
Revenue from Federal Sources			
4300 - Restricted Fed Revenue Direct	-	78,852	-
4500 - Restricted Fed Rev Thru State	49,788	12,242,275	-
4801 - Federal Forest Fees	<u>241,959</u>	<u>-</u>	<u>-</u>
Total Revenue from Federal Sources	291,747	12,321,127	-
Revenue from Other Sources			
5100 - Bond Proceeds	-	-	-
5300 - Sale of Fixed Asset	4,735	-	-
5200 - Interfund Transfers	-	-	-
5400 - Reserved FB for Inventories	<u>11,802,285</u>	<u>5,618,426</u>	<u>2,271,973</u>
Total Revenue from Other Sources	11,807,020	5,618,426	2,271,973
Total Revenues	<u>\$ 163,581,030</u>	<u>\$ 28,788,240</u>	<u>\$ 30,739,557</u>



<u>Fund 400</u>	<u>Fund 500</u>	<u>Fund 600</u>	<u>Fund 700</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 88,977,108
-	-	-	-	7,550
74,511	-	-	285	390,013
-	-	-	-	1,633,049
-	-	-	-	3,582,684
-	-	-	-	340,464
-	-	-	7,300	1,729,883
-	-	-	-	67,661
-	-	-	-	1,128,827
-	-	-	-	611,619
<u>124,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,929,839</u>
198,803	-	-	7,585	102,398,697
-	-	-	-	171,961
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,470,000</u>
-	-	-	-	2,641,961
-	-	-	-	80,351,907
-	-	-	-	53,282
-	-	-	-	1,910,544
-	-	-	-	-
-	-	-	-	662,417
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,986,114</u>
-	-	-	-	85,964,264
-	-	-	-	78,852
-	-	-	-	12,292,063
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,959</u>
-	-	-	-	12,612,874
4,175,000	-	-	-	4,175,000
-	-	-	-	4,735
-	-	-	-	-
<u>34,887,827</u>	<u>-</u>	<u>-</u>	<u>80,478</u>	<u>54,660,989</u>
39,062,827	-	-	80,478	58,840,724
<u>\$ 39,261,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,063</u>	<u>\$ 262,458,520</u>

Administrative School District No. 1  
Deschutes County, Oregon  
Schedule of Expenditures (Budgetary Basis) - General Fund  
Year Ended June 30, 2016

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>
Instruction			
1111 - Primary, K-3 Programs	\$ 21,536,604	\$ 10,309,481	\$ 1,463,156
1113 - Elementary Extracurricular	-	-	-
1121 - Middle School Programs	9,124,877	4,339,489	564,906
1122 - Middle School Extracurricular	376,875	78,464	19,661
1131 - High School Programs	10,348,897	4,854,796	583,764
1132 - High School Extracurricular	1,349,193	328,502	379,377
1210 - Talented and Gifted Programs	201,510	94,614	20,951
1220 - Restrictive Prog Fr Disability	4,696,861	2,725,666	363,423
1250 - Less Restrictive Prog Disabled	2,405,658	1,333,930	203,263
1280 - Alternative Education	1,203,627	592,424	4,880,079
1291 - English Second Language	1,122,847	518,367	36,006
1292 - Teen Parent Programs	148,170	75,343	13,640
1400 - Summer School Programs	<u>29,867</u>	<u>7,041</u>	<u>4,623</u>
Total Instruction	52,544,986	25,258,117	8,532,849
Support Services			
2110 - Attendance and Social Work	60,134	42,562	326,004
2120 - Guidance Services	3,035,909	1,400,871	78,271
2130 - Health Services	969,296	448,804	12,587
2140 - Psychological Services	767,772	350,721	10,504
2150 - Speech Pathology and Audiology	1,574,787	786,277	15,035
2190 - Service Dir, Stu Support Svcs	819,450	407,513	120,130
2210 - Improvement of Instruction Svc	1,127,707	452,566	173,755
2220 - Educational Media Services	849,103	465,893	35,018
2230 - Assessment and Testing	140,294	61,390	195,874
2240 - Instructional Staff Developmnt	59,081	13,820	344,436
2310 - Board of Education Services	21,953	10,506	228,647
2320 - Executive Administration Svcs	224,385	83,471	57,963
2410 - Office of the Principal Svcs	7,417,370	3,370,497	205,732
2510 - Business Support Services	86,757	39,922	20,974
2520 - Fiscal Services	663,623	325,011	80,541
2540 - Oper/Maint of Plant Services	4,821,592	2,600,210	4,112,833
2550 - Student Transportation Svcs	3,198,266	2,021,879	662,499
2570 - Internal Services	392,264	189,431	198,343
2620 - R&D, Eval, Grant Writing Svcs	58,003	27,124	902
2630 - Information Services	157,656	49,531	30,365
2640 - Staff Services	632,027	492,456	167,258
2660 - Technology Services	<u>1,625,531</u>	<u>700,471</u>	<u>624,313</u>
Total Support Services	28,702,960	14,340,926	7,701,984
Enterprise and Community Services			
3300 - Community Services	<u>187,002</u>	<u>80,902</u>	-
Total Enterprise and Community Services	187,002	80,902	-
Other Uses			
5100 - Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Uses	-	-	-
Total General Fund	<u>\$ 81,434,948</u>	<u>\$ 39,679,945</u>	<u>\$ 16,234,833</u>

<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>	<u>Object 800</u>	<u>Totals</u>
\$ 2,734,428	\$ -	\$ 565	\$ -	\$ -	\$ 36,044,234
4,300	-	-	-	-	4,300
1,211,244	-	10,695	-	-	15,251,211
52,243	-	2,508	-	-	529,751
1,582,978	-	18,762	-	-	17,389,197
161,303	13,203	15,505	-	-	2,247,083
20	-	-	-	-	317,095
36,345	-	200	-	-	7,822,495
68,750	-	-	-	-	4,011,601
32,751	-	3,585	-	-	6,712,466
11,241	-	-	-	-	1,688,461
2,817	-	40	-	-	240,010
452	-	-	-	-	41,983
5,898,872	13,203	51,860	-	-	92,299,887
2,604	-	-	-	-	431,304
9,017	-	433	-	-	4,524,501
8,479	-	2,384	-	-	1,441,550
22,109	-	-	-	-	1,151,106
9,263	-	1,090	-	-	2,386,452
13,637	-	199	-	-	1,360,929
32,057	-	1,728	-	-	1,787,813
272,463	-	1,145	-	-	1,623,622
5,703	-	-	-	-	403,261
21,074	-	527	-	-	438,938
45,153	-	21,222	-	-	327,481
47,401	-	719	-	-	413,939
121,382	-	5,122	-	-	11,120,103
2,644	-	6,031	-	-	156,328
25,048	-	736,940	-	-	1,831,163
817,204	187,453	6,540	-	-	12,545,832
957,041	532,764	174,060	-	-	7,546,509
135,276	-	150,000	-	-	1,065,314
-	-	-	-	-	86,029
12,956	-	908	-	-	251,416
14,432	-	44,985	-	-	1,351,158
981,552	602,122	129	-	-	4,534,118
3,556,495	1,322,339	1,154,162	-	-	56,778,866
-	-	-	-	-	267,904
-	-	-	-	-	267,904
-	-	704,206	-	-	704,206
-	-	704,206	-	-	704,206
<u>\$ 9,455,367</u>	<u>\$ 1,335,542</u>	<u>\$ 1,910,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,050,863</u>

Administrative School District No. 1  
Deschutes County, Oregon  
Schedule of Expenditures (Budgetary Basis) - Special Revenue Fund  
Year Ended June 30, 2016

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>
Instruction			
1111 - Primary, K-3 Programs	\$ 323,037	\$ 95,878	\$ 166,611
1113 - Elementary Extracurricular	797	226	97,595
1121 - Middle School Programs	75,472	10,659	86,622
1122 - Middle School Extracurricular	2,123	581	51,718
1131 - High School Programs	207,980	82,703	284,265
1132 - High School Extracurricular	60,156	19,801	569,106
1220 - Restrictive Prog Fr Disability	54,803	35,897	13,751
1250 - Less Restrictive Prog Disabled	1,619,782	849,265	16,582
1271 - Remediation	-	(170)	341
1272 - Title I	1,305,257	709,222	99,544
1280 - Alternative Education	-	-	88,843
1291 - English Second Language	-	-	289
1292 - Teen Parent Programs	1,847	676	532
1299 - Other Special Ed Programs	-	-	842
1400 - Summer School Programs	<u>679</u>	<u>1,621</u>	<u>-</u>
Total Instruction	3,651,933	1,806,359	1,476,641
Support Services			
2110 - Attendance and Social Work	-	-	400
2120 - Guidance Services	6,006	2,099	40,765
2130 - Health Services	-	-	-
2140 - Psychological Services	-	-	-
2150 - Speech Pathology and Audiology	-	-	-
2190 - Service Dir, Stu Support Svcs	-	-	-
2210 - Improvement of Instruction Svc	463,502	207,022	107,637
2220 - Educational Media Services	9,109	2,674	3,156
2230 - Assessment and Testing	-	-	-
2240 - Instructional Staff Developmnt	593,260	299,480	235,971
2320 - Executive Administration Svcs	-	-	67
2410 - Office of the Principal Svcs	588	94	11,232
2490 - Other Support Services	35,176	22,595	-
2510 - Business Support Services	-	-	-
2520 - Fiscal Services	-	-	-
2540 - Oper/Maint of Plant Services	7,763	2,424	6,400
2550 - Student Transportation Svcs	-	-	92,387
2620 - R&D, Eval, Grant Writing Svcs	7,250	3,885	-
2660 - Technology Services	-	-	500
2700 - Supplemental Retirement Progm	<u>497,946</u>	<u>8,852</u>	<u>-</u>
Total Support Services	1,620,600	549,125	498,515
Enterprise and Community Services			
3100 - Food Services	2,223,829	1,128,386	201,657
3300 - Community Services	<u>353,242</u>	<u>229,628</u>	<u>901,571</u>
Total Enterprise and Community Services	2,577,071	1,358,014	1,103,228
Other Uses			
5200 - Transfers of Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Uses Expenditures	-	-	-
Total Special Revenue Fund	<u>\$ 7,849,604</u>	<u>\$ 3,713,498</u>	<u>\$ 3,078,384</u>

<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>	<u>Object 800</u>	<u>Totals</u>
\$ 359,961	\$ 187,000	\$ 40	\$ (3,715)	\$ -	\$ 1,128,812
181,581	-	307	4,084	-	284,590
470,391	565,333	988	(450)	-	1,209,015
135,088	-	2,630	(2,421)	-	189,719
327,768	-	12,375	(13,431)	-	901,660
881,604	-	8,243	13,616	-	1,552,526
49,592	-	232	122	-	154,397
4,145	-	-	(319)	-	2,489,455
-	-	-	-	-	171
135,487	10,180	-	-	-	2,259,690
2,217	-	-	-	-	91,060
1,321	-	-	-	-	1,610
606	-	-	-	-	3,661
5,601	-	-	-	-	6,443
-	-	-	-	-	2,300
2,555,362	762,513	24,815	(2,514)	-	10,275,109
30,926	-	-	-	-	31,326
2,607	-	-	(290)	-	51,187
-	-	-	-	-	-
-	-	-	-	-	-
428	-	-	150	-	578
250	-	-	-	-	250
37,059	-	-	-	-	815,220
133,310	-	-	2,589	-	150,838
-	-	-	-	-	-
26,948	-	-	-	-	1,155,659
-	-	-	-	-	67
22,149	-	-	-	-	34,063
-	-	-	-	-	57,771
-	-	311,619	-	-	311,619
-	-	-	-	-	-
51,570	80,696	-	-	-	148,853
1,046	-	-	65	-	93,498
-	-	-	-	-	11,135
269,596	-	-	-	-	270,096
-	-	-	-	-	506,798
575,889	80,696	311,619	2,514	-	3,638,958
3,051,958	149,879	155,439	-	-	6,911,148
31,688	-	-	-	-	1,516,129
3,083,646	149,879	155,439	-	-	8,427,277
-	-	-	-	-	-
-	-	-	-	-	-
\$ 6,214,897	\$ 993,088	\$ 491,873	\$ -	\$ -	\$ 22,341,344

Administrative School District No. 1

Deschutes County, Oregon

Schedule of Expenditures (Budgetary Basis) - Debt Revenue Fund

Year Ended June 30, 2016

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>
Support Services			
2520 - Fiscal Services	\$ -	\$ -	\$ 1,150
Total Support Services	-	-	1,150
Other Uses			
5100 - Debt Service	-	-	-
Total Other Uses	-	-	-
Total Debt Service Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,150</u>

<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>	<u>Object 800</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,150
-	-	-	-	-	1,150
-	-	28,227,984	-	-	28,227,984
-	-	28,227,984	-	-	28,227,984
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,227,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,229,134</u>

Administrative School District No. 1

Deschutes County, Oregon

Schedule of Expenditures (Budgetary Basis) - Capital Projects Fund

Year Ended June 30, 2016

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>
Facilities Acquisition and Construction			
4110 - Constr Service Area Direction	<u>\$ 450,128</u>	<u>\$ 190,150</u>	<u>\$ 64,781</u>
4120 - Site Acquisition and Develop	<u>-</u>	<u>-</u>	<u>68,119</u>
4150 - Building Acquisition, Improv	<u>6,610</u>	<u>1,867</u>	<u>-</u>
 Total Facilities Acquisition and Construction	 456,738	 192,017	 132,900
 Total Capital Projects Fund	 <u><u>\$ 456,738</u></u>	 <u><u>\$ 192,017</u></u>	 <u><u>\$ 132,900</u></u>



<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>	<u>Object 800</u>	<u>Totals</u>
\$ 2,004	\$ -	\$ 1,555	\$ -	\$ -	\$ 708,618
-	350,604	27,580	-	-	446,303
<u>3,731</u>	<u>19,199,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,211,994</u>
5,735	19,550,390	29,135	-	-	20,366,915
<u>\$ 5,735</u>	<u>\$ 19,550,390</u>	<u>\$ 29,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,366,915</u>

Administrative School District No. 1  
Deschutes County, Oregon  
Schedule of Expenditures (Budgetary Basis) -Trust and Agency Fund  
Year Ended June 30, 2016

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>
Enterprise and Community Services			
3300 - Community Services	\$ -	\$ -	\$ 650
 Total Enterprise and Community Services	 -	 -	 650
 Total Trust and Agency Fund	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 650</u>
 Total Expenditures - All Funds	 <u>\$ 89,741,290</u>	 <u>\$ 43,585,460</u>	 <u>\$ 19,447,267</u>

<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>	<u>Object 800</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 650
-	-	-	-	-	650
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650</u>
<u>\$ 15,675,999</u>	<u>\$ 21,879,020</u>	<u>\$ 30,659,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,988,906</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, 2015

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 &amp; 326</u>
2540	\$ 2,238,934
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, 2016, and have issued our report thereon dated November 18, 2016. 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 18, 2016



## **GRANT COMPLIANCE REVIEW SECTION**



**Allen School, built in 1931 at 3<sup>rd</sup> 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, 2016, 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 18, 2016.

**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 18, 2016



**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, 2016. 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, 2016.

**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, material weaknesses may exist that have not been identified.

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 18, 2016

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2016**

**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?	No
• Significant deficiencies?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
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)?	No

Identification of major federal programs:

<u>CFDA No(s).</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.558, 10.559	Child nutrition program cluster
84.385A	Teacher incentive fund

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, 2016**

**Section II – Financial Statement Findings**

None reported.

**Section III – Federal Award Findings and Questioned Costs**

None reported.

**Section IV – State Award Findings and Questioned Costs**

None reported.