

***CRESWELL SCHOOL DISTRICT  
FINANCIAL STATEMENTS AND  
ADDITIONAL INFORMATION  
Year Ended June 30, 2018***

**CRESWELL SCHOOL DISTRICT**  
**JUNE 30, 2018**

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***BOARD OF DIRECTORS***

<u><i>Name</i></u>	<u><i>Title</i></u>	<u><i>Term Expires</i></u>
Mike Anderson	Chair	June 30, 2021
Tim Rogers	Vice Chair	June 30, 2019
Natalie Smathers	Member	June 30, 2019
David Eusted	Member	June 30, 2021
Lacey Risdal	Member	June 30, 2021
Paul Randall	Member	June 30, 2019
Kandice Lemhouse Worsham	Member (as of June 12, 2018)	June 30, 2019

The above board members receive mail at the address below.

***ADMINISTRATIVE***

Creswell School District  
998 West A Street  
Creswell, Oregon 97426

Todd Hamilton, Superintendent, Clerk  
Anna Houpt, Business Manager, Deputy Clerk

**CRESWELL SCHOOL DISTRICT**  
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***FINANCIAL SECTION***



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**GROVE, MUELLER & SWANK, P.C.**

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

***INDEPENDENT AUDITOR'S REPORT***

School Board  
Creswell School District  
998 West A Street  
Creswell, Oregon 97426

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Creswell School District, Lane County, Oregon (the District), as of and for the year ended June 30, 2018, 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 General 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 District'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 District'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, each major fund, and the aggregate remaining fund information of Creswell School District, Lane County, Oregon as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis-of-matter – Change in Accounting Principle***

As discussed in the notes to the basic financial statements, as of and for the year ended June 30, 2018, the District adopted new accounting guidance in implementing Government Accounting Standards Board Statement (GASBS) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), the required supplementary information, as listed in the table of contents, 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 supplemental 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 (except as mentioned in the following paragraph) because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information presented as required supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### ***Other Supplementary 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 other supplementary information 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

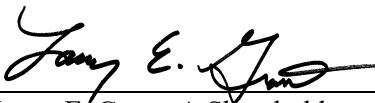
*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its 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 and compliance and the results of that testing, and not to provide an opinion on 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.

*Other Reporting Required by Oregon Minimum Standards*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated February 5, 2019, on our consideration of the District's 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 the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

GROVE, MUELLER & SWANK, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

By:   
Larry E. Grant, A Shareholder  
February 5, 2019



**CRESWELL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

As management of Creswell School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

**FINANCIAL HIGHLIGHTS**

- In the government-wide statements, the net position of the District totaled \$2,669,447 at June 30, 2018. Of this amount \$11,114,498, represents the District's investment in capital assets net of related debt, \$336,820 is restricted for debt service, and a deficit balance of \$8,781,871 is unrestricted.
- The District's total net position increased by \$303,456 during the year. This increase in net position resulted primarily from the net change in the various components of PERS, OPEB and long-term debt. The change in these components is described more fully in the notes to the basic financial statements of this report.
- The District's governmental funds report a combined ending fund balance of \$3,373,559 at June 30, 2018, an increase of \$662,641 in comparison with the prior year.
- At the end of the fiscal year ended June 30, 2018, fund balance for the General Fund was \$2,033,925 (about seventeen percent of total General Fund expenditures).
- The District's bonded debt decreased by \$1,520,000 for the fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's 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 the assets and liabilities of the District as of the date on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

*The Statement of Activities.* The *statement of activities* presents information showing how the net position of the District changed over the most recent fiscal 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 and earned and unused vacation leave).

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

**Fund financial statements.** The *fund financial statements* provide more detailed information about the District's funds, focusing on its 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. Creswell School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund's statement of revenues, expenditures and changes in fund balances for the General Fund, Debt Service Fund, Grants Fund, and Facilities Fund which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements elsewhere in this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required and other supplementary information* related to combining fund statements and the schedules of revenues, expenditures and changes in fund balance-budget and actual.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position.** The Statement of Net Position below is provided on a comparative basis.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,669,447 as of June 30, 2018.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about eighty-three percent of total assets. The remaining assets consist mainly of investments, cash, grants and property taxes receivable.

The District's largest liability (fifty-five percent) is for the repayment of long-term debt (general obligation bonds, pension bonds and capital leases). Current liabilities, representing about four percent of the District's total liabilities, consist almost entirely of payables on accounts, salaries and benefits, and accrued interest on long-term debt. A pension liability represents the District's PERS unfunded actuarial liability and an OPEB liability represents the District's future responsibilities for other post-employment benefits.

A large portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, vehicles and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students and other District residents; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

Net position - restricted, represents resources that are subject to external restrictions on their use, such as debt service payments or insurance claims.

**Creswell School District  
Statements of Net Position  
June 30,**

	<u>2018</u>	<u>2017*</u>	<u>Change</u>
Current and other assets	\$ 4,975,406	\$ 4,293,144	\$ 682,262
Net OPEB asset for RHIA	24,534	-	24,534
Capital assets	23,606,263	24,324,746	(718,483)
<i>Total assets</i>	28,606,203	28,617,890	(11,687)
Deferred outflows	5,206,533	8,151,556	(2,945,023)
<i>Total assets and deferred outflows</i>	33,812,736	36,769,446	(2,956,710)
Current liabilities	1,302,043	1,198,120	103,923
PERS net pension liability	10,956,606	12,903,169	(1,946,563)
Total OPEB liability for medical subsidy	1,318,642	1,314,050	4,592
Net OPEB liability for RHIA	-	16,880	(16,880)
Long-term debt	16,870,047	18,558,503	(1,688,456)
<i>Total liabilities</i>	30,447,338	33,990,722	(3,543,384)
Deferred inflows	695,951	412,733	283,218
<i>Total liabilities and deferred inflows</i>	31,143,289	34,403,455	(3,260,166)
Net position			
Net investment in capital assets	11,114,498	10,453,224	661,274
Restricted	336,820	358,963	(22,143)
Unrestricted	(8,781,871)	(8,446,196)	(335,675)
<i>Total net position</i>	<u>\$ 2,669,447</u>	<u>\$ 2,365,991</u>	<u>\$ 303,456</u>

\*Net position has been restated. See description in the notes to the financial statements.

**Statement of Changes in Net Position.** The District's net position increased by \$303,456 during the current fiscal year. This compares to a net increase in net position of \$363,961 in the prior year. The key elements of the change in the District's net position for the year ended June 30, 2018 are as follows:

- Revenues from state and local sources for general purposes increased by about \$766,000, primarily due to increases in the State School Fund, while federal revenues were flat. Property taxes levied for debt service decreased by about \$500,000 due to year to year variations in bond maturities.
- Property tax revenues for general purposes increased by about \$80,000 or about two and a half percent.

- Instructional and support services expenses increased by about half a million dollars or three percent as a result of increased funding.
- The PERS pension liability changed by \$1,946,563, as explained more fully in the notes to the basic financial statements of this report.

**Creswell School District  
Statements of Activities  
Year ended June 30,**

	<u>2018</u>	<u>2017*</u>	<u>Change</u>
Revenues			
Program revenues			
Fines, fees, and charges for service	\$ 415,004	\$ 352,443	\$ 62,561
Operating grants and contributions	1,555,869	1,524,243	31,626
Capital grants and contributions	15,504	16,386	(882)
General revenues			
Property taxes, levied for general purposes	3,070,137	2,990,004	80,133
Property taxes, levied for debt service	1,660,892	2,170,200	(509,308)
Construction excise tax	66,829	62,689	4,140
State school fund	9,186,702	8,498,801	687,901
Common school fund	140,721	176,643	(35,922)
Unrestricted state and local funds	78,915	35,725	43,190
Earnings on investments	118,418	80,689	37,729
Miscellaneous	183,661	154,525	29,136
<i>Total revenues</i>	<u>16,492,652</u>	<u>16,062,348</u>	<u>430,304</u>
Expenses			
Instructional services	9,544,235	9,360,118	184,117
Support services	5,444,091	5,159,711	284,380
Enterprise and community services	518,192	462,073	56,119
Facilities services	7,695	7,695	-
Interest on long-term liabilities	674,983	708,790	(33,807)
<i>Total expenses</i>	<u>16,189,196</u>	<u>15,698,387</u>	<u>490,809</u>
Change in net position	303,456	363,961	(60,505)
Net position, beginning of year (as restated)	<u>2,365,991</u>	<u>2,002,030</u>	<u>363,961</u>
Net position, end of year	<u>\$ 2,669,447</u>	<u>\$ 2,365,991</u>	<u>\$ 303,456</u>

\*Net position has been restated. See description in the notes to the financial statements.

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, *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, 2018, the District’s governmental funds reported combined ending fund balances of \$3,373,559 which is an increase of \$662,641 in comparison with prior year.

**Major Governmental Funds:**

*General Fund.* The General Fund is the primary operating fund of the District. The fund balance was \$2,033,925 as of June 30, 2018. This is an increase of \$525,486 during the current fiscal year. As a measure of the fund’s liquidity, it may be useful to compare total fund balance to total fund expenditures. The unassigned fund balance is equal to approximately seventeen percent of total General Fund expenditures for the year.

*Facilities Fund.* This fund is used to account for the revenues and expenditures related to the improvement and replacement of school facilities. The fund’s net position increased by \$143,365 primarily as a result of revenues retained for future capital improvements.

*Grants Fund.* This fund is used to account for the revenues and expenditures related to grants from state and federal sources. The fund’s net position decreased \$1,115.

*Debt Service Fund.* This fund accounts for the payment of principal and interest on general and limited-tax pension obligation bonded debt. The fund’s net position increased by \$18,146 as a result of greater than expected revenue.

**General Fund Budgetary Highlights**

There was one resolution adopted which changed the adopted budget for the fiscal year ended June 30, 2018.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The District’s investment in capital assets includes land, buildings and improvements, and vehicles and equipment. As of June 30, 2018, the District had invested approximately \$24 million in capital assets, net of depreciation, as shown in the following table:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land	\$ 128,573	\$ 128,573	\$ -
Buildings	22,957,956	23,631,105	(673,149)
Equipment	519,734	565,068	(45,334)
Total	<u>\$ 23,606,263</u>	<u>\$ 24,324,746</u>	<u>\$ (718,483)</u>

The District’s investment in capital assets decreased \$718,483 during the year ended June 30, 2018. Depreciation of \$765,958 and equipment purchases of \$47,475 were the only major capital asset events for the fiscal year.

Additional information regarding the District’s capital assets can be found in the notes to the basic financial statements of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total general obligation debt outstanding of \$12,725,000, PERS pension debt of \$3,265,000, qualified school construction bond debt of \$315,000, capital leases of \$210,120 and bond issuance premium of \$354,928.

During the current fiscal year, the District’s total long-term debt decreased by \$1,688,456 net of additions.

State statutes limit the amount of general obligation debt the District may issue to 7.95 percent of its total real market value. The current debt limitation for the District is about \$84.5 million, which is significantly in excess of

the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in the notes to the basic financial statements of this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The most significant economic factor for the District is the State of Oregon's State School Fund. For the year ended June 30, 2018, the State School Fund – General Support provided over seventy percent of the District's General Fund program resources.

The District projects a small increase in enrollment for the 2018-2019 fiscal year.

The District's Budget Committee and School Board considered these factors while preparing the District's budget for the 2018-19 fiscal year.

### **REQUESTS FOR INFORMATION**

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Financial Services, 998 West A Street, Creswell, Oregon 97426.

**CRESWELL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2018**

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**ASSETS**

Cash and investments	\$ 4,070,927
Receivables	359,572
Due from other governments	536,109
Inventories	8,798
Capital assets not being depreciated	
Land	128,573
Capital assets, net of accumulated depreciation	
Buildings	22,957,956
Equipment	519,734
Net OPEB asset for RHIA	24,534
	<hr/>
<i>Total Assets</i>	28,606,203

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred amount on refunding	1,113,283
PERS deferred outflows	3,999,673
RHIA OPEB deferred outflows	30,083
Medical OPEB deferred outflows	63,494
	<hr/>

*Total Deferred Outflows of Resources* 5,206,533

*Total Assets and Deferred Outflows of Resources* 33,812,736

**LIABILITIES**

Accounts payable and accrued expenses	1,276,493
Accrued compensated absences	9,297
Accrued interest	16,253
Long-term liabilities	
Long-term debt due within one year	1,723,662
Long-term debt due in more than one year	15,146,385
PERS net pension liability	10,956,606
Total OPEB liability for medical subsidy	1,318,642
	<hr/>

*Total Liabilities* 30,447,338

**DEFERRED INFLOWS OF RESOURCES**

PERS deferred inflows	631,415
RHIA OPEB deferred inflows	12,031
Medical OPEB deferred inflows	52,505
	<hr/>

*Total Deferred Inflows of Resources* 695,951

*Total Liabilities and Deferred Inflows of Resources* 31,143,289

**NET POSITION**

Net investment in capital assets	11,114,498
Restricted for debt service	336,820
Unrestricted	(8,781,871)
	<hr/>
<i>Total Net Position</i>	<u>\$ 2,669,447</u>

*The accompanying notes are an integral part of the financial statements.*

**CRESWELL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

<i>FUNCTIONS/PROGRAMS</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Change in Net Position</i>
		<i>Fees, Fines and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
<b>Governmental Activities:</b>					
Instructional services	\$ 9,544,235	\$ 290,515	\$ 985,010	\$ -	\$ (8,268,710)
Support services	5,444,091	24,465	72,943	-	(5,346,683)
Enterprise and community services	518,192	100,024	497,916	-	79,748
Facilities services	7,695	-	-	-	(7,695)
Interest on long-term liabilities	674,983	-	-	15,504	(659,479)
<i>Total Governmental Activities</i>	<u>\$ 16,189,196</u>	<u>\$ 415,004</u>	<u>\$ 1,555,869</u>	<u>\$ 15,504</u>	<u>(14,202,819)</u>
<b>General Revenues:</b>					
Property taxes, levied for general purposes					3,070,137
Property taxes, levied for debt service					1,660,892
Construction excise tax					66,829
State school fund					9,186,702
Common school fund					140,721
Unrestricted state and local funds					78,915
Earnings on investments					118,418
Miscellaneous					183,661
<i>Total General Revenues</i>					<u>14,506,275</u>
<i>Change in Net Position</i>					303,456
<i>Net Position - beginning as originally stated</i>					3,604,843
<i>Reduction due to change in accounting principle</i>					(1,238,852)
<i>Net Position - beginning as restated</i>					<u>2,365,991</u>
<i>Net Position - ending</i>					<u>\$ 2,669,447</u>

The accompanying notes are an integral part of the financial statements.



**CRESWELL SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<u>Special Revenue</u>		
	<u>General</u>	<u>Facilities</u>	<u>Grants</u>
<b>ASSETS</b>			
Cash and investments	\$ 2,845,306	\$ 672,028	\$ -
Property taxes receivable	197,729	-	-
Due from other funds	312,894	-	-
Receivable from other governments	123,383	21,253	387,896
Other receivables	1,506	-	-
Inventories	-	-	-
<i>Total Assets</i>	<u>\$ 3,480,818</u>	<u>\$ 693,281</u>	<u>\$ 387,896</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ 478,209	\$ -	\$ 14,328
Due to other funds	283	-	275,556
Accrued expenses	769,435	-	-
Other liabilities	9,346	-	-
<i>Total Liabilities</i>	<u>1,257,273</u>	<u>-</u>	<u>289,884</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	189,620	-	-
<b>Fund Balance</b>			
Nonspendable inventory	-	-	-
Restricted for:			
Debt service	-	-	-
Committed to:			
Student body	-	-	-
Facility improvements	-	693,281	-
Grants	-	-	98,012
Capital projects	-	-	-
Debt service	-	-	-
Unassigned	2,033,925	-	-
<i>Total Fund Balances</i>	<u>2,033,925</u>	<u>693,281</u>	<u>98,012</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 3,480,818</u>	<u>\$ 693,281</u>	<u>\$ 387,896</u>

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<i>Debt Service</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 212,163	\$ 341,430	\$ 4,070,927
141,293	-	339,022
-	-	312,894
1,506	21,115	555,153
-	-	1,506
-	8,798	8,798
<u>\$ 354,962</u>	<u>\$ 371,343</u>	<u>\$ 5,288,300</u>
\$ -	\$ 5,175	\$ 497,712
-	37,055	312,894
-	-	769,435
-	-	9,346
-	42,230	1,589,387
135,734	-	325,354
-	8,798	8,798
217,339	-	217,339
-	224,305	224,305
-	-	693,281
-	-	98,012
-	104,808	104,808
1,889	-	1,889
-	(8,798)	2,025,127
<u>219,228</u>	<u>329,113</u>	<u>3,373,559</u>
<u>\$ 354,962</u>	<u>\$ 371,343</u>	<u>\$ 5,288,300</u>

*The accompanying notes are an integral part of the financial statements.*

**CRESWELL SCHOOL DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2018**

<b>FUND BALANCES</b>		\$	3,373,559
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost	\$	35,410,592	
Accumulated depreciation		<u>(11,804,329)</u>	23,606,263
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.			325,354
Long-term pension liabilities not payable in the current year are not reported as governmental fund liabilities. Actuarial changes create deferred outflows and inflows of resources. These consist of:			
PERS net pension liability		(10,956,606)	
PERS deferred outflows of resources		3,999,673	
PERS deferred inflows of resources		<u>(631,415)</u>	(7,588,348)
Long-term OPEB assets/(liabilities) not payable in the current year are not reported as governmental fund liabilities. Actuarial changes create deferred outflows and inflows of resources. These consist of:			
Net OPEB asset for RHIA		24,534	
RHIA OPEB deferred outflows of resources		30,083	
RHIA OPEB deferred inflows of resources		(12,031)	
Total OPEB liability for medical subsidy		(1,318,642)	
Medical OPEB deferred outflows of resources		63,494	
Medical OPEB deferred inflows of resources		<u>(52,505)</u>	(1,265,067)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. During refunding of debt, the difference between the net carrying amount of the old debt and the reacquisition price (amount transferred to escrow for payment of the old debt) is deferred interest and is amortized as an adjustment of interest expense in the statement of activities over the remaining life of the refunded debt.			
These liabilities consist of:			
Accrued interest		(16,253)	
Accrued compensated absences		(9,297)	
Long-term debt		(16,870,047)	
Less deferred amount on refunding		<u>1,113,283</u>	<u>(15,782,314)</u>
<b>TOTAL NET POSITION</b>		\$	<u><u>2,669,447</u></u>

*The accompanying notes are an integral part of the financial statements.*

**CRESWELL SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018**

	<u>Special Revenue</u>		
	<u>General</u>	<u>Facilities</u>	<u>Grants</u>
<b>REVENUES</b>			
Property taxes	\$ 3,116,415	\$ -	\$ -
Construction excise tax	-	66,829	-
Intergovernmental			
Intermediate sources	46,383	-	-
State sources	9,545,250	-	187,428
Federal sources	55,328	15,504	600,060
Charges for services	26,207	-	-
Contributions	-	-	51,070
Investment earnings	76,614	12,574	-
Miscellaneous	143,361	30,403	11,584
<i>Total Revenues</i>	<u>13,009,558</u>	<u>125,310</u>	<u>850,142</u>
<b>EXPENDITURES</b>			
Current			
Instruction	7,283,089	-	674,914
Support services	4,918,808	-	154,851
Enterprise and community services	-	-	7,043
Debt service			
Principal	-	-	-
Interest and other charges	-	16,600	-
Capital outlay	14,438	-	14,449
<i>Total Expenditures</i>	<u>12,216,335</u>	<u>16,600</u>	<u>851,257</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>793,223</u>	<u>108,710</u>	<u>(1,115)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	34,655	-
Transfers out	(267,737)	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(267,737)</u>	<u>34,655</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>525,486</u>	<u>143,365</u>	<u>(1,115)</u>
<b>FUND BALANCES, beginning</b>	<u>1,508,439</u>	<u>549,916</u>	<u>99,127</u>
<b>FUND BALANCES, ending</b>	<u>\$ 2,033,925</u>	<u>\$ 693,281</u>	<u>\$ 98,012</u>

<i>Debt Service</i>	<i>Other Governmental Funds</i>	<i>Total</i>
\$ 1,704,885	\$ -	\$ 4,821,300
-	-	66,829
-	-	46,383
-	82,594	9,815,272
-	341,932	1,012,824
-	376,780	402,987
-	47,086	98,156
26,436	2,794	118,418
378,341	3,389	567,078
2,109,662	854,575	16,949,247
-	414,621	8,372,624
-	49,284	5,122,943
-	491,187	498,230
1,520,000	129,019	1,649,019
571,516	8,199	596,315
-	18,588	47,475
2,091,516	1,110,898	16,286,606
18,146	(256,323)	662,641
-	233,082	267,737
-	-	(267,737)
-	233,082	-
18,146	(23,241)	662,641
201,082	352,354	2,710,918
\$ 219,228	\$ 329,113	\$ 3,373,559

The accompanying notes are an integral part of the financial statements.

**CRESWELL SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

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**NET CHANGE IN FUND BALANCES - (Governmental Funds)** \$ 662,641

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	\$ 47,475	
Less current year depreciation	<u>(765,958)</u>	(718,483)

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

This is the amount by which repayments exceeded proceeds:

Debt principal repaid	1,649,019	
Amortization of bond premium	39,437	
Amortization of deferred interest from refunding	<u>(123,698)</u>	1,564,758

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. 5,593

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. (90,271)

In the Statement of Activities, pension expense is adjusted based on actuarially determined contribution changes:

Net change in PERS net pension liability/asset	1,946,563	
Net change in PERS deferred outflows of resources	(2,822,824)	
Net change in PERS deferred inflows of resources	<u>(218,682)</u>	(1,094,943)

In the Statement of Activities, OPEB expense is adjusted based on actuarially determined contribution changes:

Net change in net OPEB liability/asset for RHIA	41,414	
Net change in RHIA OPEB deferred outflows of resources	(1,089)	
Net change in RHIA OPEB deferred inflows of resources	(12,031)	
Net change in total OPEB liability for medical subsidy	(4,592)	
Net change in medical OPEB deferred outflows of resources	2,588	
Net change in medical OPEB deferred inflows of resources	<u>(52,505)</u>	(26,215)

Compensated absences are recognized as an expenditure in the governmental fund when they are paid. In the Statement of Activities compensated absences are recognized as expenditures when earned. 376

**CHANGE IN NET POSITION** \$ 303,456

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

Creswell School District (the District) is a municipal corporation governed by a separately elected seven-member Board of Directors. Administrative officials are approved by the Board. The daily functioning of the District is under the supervision of the Superintendent-Clerk. As required by accounting principles generally accepted in the United States of America, 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. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District has no component units.

***Basis of Presentation***

*Government-wide 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. Eliminations have been made to minimize the double counting of internal 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. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or others for tuition, fees, rentals, material, supplies or services provided and (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.

Net position is reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

*Fund Financial Statements*

The fund financial statements provide information about the District's funds. Separate statements for each governmental fund category are presented. The emphasis of fund financial statements is on major governmental funds, each being displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

***Basis of Presentation (Continued)***

*Fund Financial Statements (Continued)*

The District reports the following major governmental funds:

*General Fund* - This is the District's primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund. Principal revenue sources are an apportionment from the State of Oregon and property taxes.

*Facilities Fund* - This fund is used to account for the revenues and expenditures related to the improvement and replacement of school facilities.

*Grants Fund* - This fund is used to account for the expenditures and receipts of various federal and other grants and projects.

*Debt Service Fund* - This fund accounts for the payment of principal and interest on general and limited-tax pension obligation bonded debt. Principal revenue sources are property taxes and charges to other funds. It also accounts for payments of principal and interest on bonded debt issued to fund a portion of the District's unfunded actuarial liability to Oregon PERS. Principal revenue sources for PERS bond payments are charges to other funds.

In addition, the District reports the following as nonmajor governmental funds:

*Nutrition Services Fund* - This fund accounts for the various food service programs provided by the District. The sale of food and Federal reimbursements administered by the State are the major revenue sources.

*Student Activity Fund* - This fund is used to account for the revenue and expenditures related to student activities including extracurricular and co-curricular activities.

*Scholarship Fund* - This fund is used to account for monies received from various sources, and scholarships are awarded to students by high school staff and community members.

*Student Body Fund* - This fund is used to account for items such as student fees for the student body accounts of each school.

*Vehicle Replacement Fund* - This fund is used to accumulate resources necessary to fund the replacement of buses by purchase or lease.

***Measurement Focus and Basis of Accounting***

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility



**CRESWELL SCHOOL DISTRICT**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2018*

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Measurement Focus and Basis of Accounting (Continued)***

requirements have been satisfied. Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues.

Thus, when program expenses are incurred, there are both net position – restricted and net position – unrestricted available to finance the program. It is the District’s policy to first apply cost-reimbursement grant resources to such programs and then general resources.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from issuance of debt and acquisitions under capital leases are reported as other financing sources.

***Cash, Cash Equivalents and Investments***

The District’s cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less. Short-term investments are stated at cost which approximates fair value.

The District’s investments consist of time certificates of deposit, banker’s acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer’s Local Government Investment Pool (LGIP). Time certificates of deposit are stated at cost which approximates fair value. Banker’s acceptances, commercial paper, U.S. Government Agency securities, and the LGIP are stated at amortized cost which approximates fair value.

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.

***Property Taxes Receivable***

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 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Accounts and Other Receivables***

Accounts and other receivables are comprised primarily of State school support and claims for reimbursement of costs under various federal and state grants. At June 30, 2018 no allowance for doubtful accounts is considered necessary.

***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 on the statement of net position and the balance sheet.

***Inventories***

Inventories of supplies and materials in the governmental funds are stated at cost. Inventories of food and supplies are valued at invoice cost (first-in, first-out). Inventoried items are charged to expenditures of the user department at the time of withdrawal from inventory (consumption method). Commodity inventories are not recorded as title to them is not considered to pass to the District until they are consumed.

***Capital Assets***

Capital assets are recorded at original or estimated original cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at their acquisition value on the date donated. The District defines capital assets as individual assets with an initial cost of more than \$5,000 and an estimated life in excess of one year.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 to 60 years
Equipment	3 to 20 years

***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.

The District also offers its employees a tax deferred annuity plan established pursuant to Section 403(b) of the Internal Revenue Code and a deferred compensation plan established pursuant to Section 457 of the Internal Revenue Code.

***Post-Employment Health Care Benefits***

The Board of Directors, through contract negotiation, previously authorized the District to offer early retirement health insurance benefits to all non-temporary employees. Expenditures are recorded in the governmental funds

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Post-Employment Health Care Benefits (Continued)***

as insurance premiums are incurred. The actuarially determined total OPEB liabilities are recorded in the Statement of Net Position.

***Compensated Absences***

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

***Long-term Debt***

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

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 costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has four items that arise only under a full accrual basis of accounting that qualify for reporting in this category. The restatement of net position reports one type related to deferred amounts from refunding bonds, one type related to the net OPEB liability, one type related to the total medical OPEB, and one type related to the net PERS pension liability. These amounts are deferred and recognized as an outflow of resources in the period the amounts become available.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The balance sheet reports unavailable revenues from one source: property taxes. The statement of net position reports one type related to the net OPEB liability, one related to the total medical OPEB, and one type related to the net PERS pension liability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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 effect 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 may differ from those estimates.

*Governmental Fund Balances*

In the governmental financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental Fund type fund balances are classified as follows:

- **Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.
- **Restricted** – Amounts that can be spent only for specific purposes when the constraints placed on the use of these resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** – Amounts that can be used only for specific purposes determined by a formal action of the School Board. The School Board can modify or rescind the commitment at any time through taking a similar formal action (resolution).
- **Assigned** - Amounts that are constrained by the District’s intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the School Board approves which resources should be “reserved” during the adoption of the annual budget. The District’s Business Manager uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the District’s Annual Financial Report.
- **Unassigned** – All amounts not included in other spendable classifications. This residual classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

When an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

***Definitions of Governmental Fund Types***

The General Fund is used to account for all financial resources not accounted for in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenues sources” means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years should also be reported in debt service funds.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

***Budget***

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. The budgetary basis of accounting is the same as accounting principles generally accepted in the United States of America for the governmental fund types except that capital outlay expenditures, including items below the District’s capitalization level, are budgeted by major function in governmental fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Appropriations are established at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. The budget is adopted, appropriations made, and the tax levy declared no later than June 30 each year. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution.

Supplemental budgets less than 10 percent of a fund’s original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10 percent of a fund’s original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. During the year, one appropriation transfer was made and no supplemental budgets were adopted. Appropriations lapse at the end of each fiscal year.

**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**CASH AND INVESTMENTS**

The District maintains an internal cash and investments pool that is available for use by all funds. Each fund type's portion of the pool is displayed in the basic financial statements as "Cash and Investments."

Cash and investments are comprised of the following as of June 30, 2018:

Cash on hand	\$	980
Cash on deposit with financial institutions		349,381
Amounts held in escrow, restricted for debt service		87,678
State Treasurer's Investment Pool		3,632,888
		<hr/>
<i>Total Cash and Investments</i>	<b>\$</b>	<b>4,070,927</b>
		<hr/>

*Deposits*

The book balance of the District's bank deposit accounts was \$349,381 and the bank balance was \$483,387 at year-end. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

*Custodial Credit Risk - Deposits*

This is the risk that in the event of a bank failure, the District's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the District's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand accounts and the aggregate of all time and savings deposits accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP).

The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100 percent protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10 percent of their quarter-end public fund deposits if they are well capitalized, 25 percent of their quarter-end public fund deposits if they are adequately capitalized or 110 percent of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110 percent by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. The District's bank balances exceeded FDIC limits by \$218,401 as of June 30, 2018, all of which was covered by PFCP.

*Investments*

State statutes authorize the District to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper and the state treasurer's investment pool, among others.

**CRESWELL SCHOOL DISTRICT**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2018*

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**CASH AND INVESTMENTS** *(Continued)*

*Investments (Continued)*

The Treasurer of the State of Oregon maintains the Oregon Short-term Fund, of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2018, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer.

*Concentration of Credit Risk - Investments*

ORS 294.035 does not allow for an investment in any one single corporate entity indebtedness that is in excess of five percent of the District's total monies available for investment.

*Custodial Credit Risk - Investments*

For an investment, this is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The District's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments in U.S. Treasury securities, U.S. Agency securities, state and local government obligations, and corporate securities are valued using quoted market prices (Level 1 inputs).

**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 is as follows:

	<i>Balance</i> <i>July 1, 2017</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i> <i>June 30, 2018</i>
Capital assets not being depreciated:				
Land	\$ 128,573	\$ -	\$ -	\$ 128,573
Capital assets being depreciated:				
Buildings	33,630,241	-	-	33,630,241
Equipment	1,604,303	47,475	-	1,651,778
<i>Total Capital Assets Being Depreciated</i>	<u>35,234,544</u>	<u>47,475</u>	<u>-</u>	<u>35,282,019</u>
Accumulated depreciation for:				
Buildings	(9,999,136)	(673,149)	-	(10,672,285)
Equipment	(1,039,235)	(92,809)	-	(1,132,044)
<i>Total Accumulated Depreciation</i>	<u>(11,038,371)</u>	<u>(765,958)</u>	<u>-</u>	<u>(11,804,329)</u>
<i>Total Capital Assets Being Depreciated, net</i>	<u>24,196,173</u>	<u>(718,483)</u>	<u>-</u>	<u>23,477,690</u>
<i>Total Capital Assets, net</i>	<u>\$ 24,324,746</u>	<u>\$ (718,483)</u>	<u>\$ -</u>	<u>\$ 23,606,263</u>

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

<b>Program</b>	
Instructional services	\$ 649,272
Support services	
Pupil transportation	98,263
Other support services	8,533
Enterprise and community services	2,195
Facilities services	7,695
<i>Total depreciation expense</i>	<u>\$ 765,958</u>



**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

**LONG-TERM DEBT**

The following is a summary of long-term debt transactions during the year ended June 30, 2018:

	<i>Original Issue</i>	<i>Balance July 1, 2017</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Balance June 30, 2018</i>	<i>Due Within One Year</i>
General obligation bonds - Series 2000	\$ 13,560,000	\$ 375,000	\$ -	\$ 375,000	\$ -	\$ -
PERS pension bonds - Series 2007	4,345,000	3,450,000	-	185,000	3,265,000	210,000
QSCB bonds - Series 2010A	500,000	315,000	-	-	315,000	-
General obligation bonds - Series 2013A	8,585,000	4,565,000	-	960,000	3,605,000	1,405,000
General obligation bonds - Series 2013B	9,205,000	9,120,000	-	-	9,120,000	-
Total bonds		17,825,000	-	1,520,000	16,305,000	1,615,000
Capital lease - 2015 Blue Bird SPED Bus	116,664	36,112	-	23,931	12,181	12,181
Capital lease - 2015 Blue Bird Bus	106,554	32,957	-	21,857	11,100	11,100
Capital lease - 2016 Blue Bird Bus	129,880	66,237	-	25,996	40,241	26,658
Capital lease - 2016 Ford SPED Buses	162,100	97,425	-	31,645	65,780	32,468
Capital lease - 2017 Blue Bird Bus	134,476	106,407	-	25,590	80,817	26,255
Total capital leases		339,138	-	129,019	210,119	108,662
Subtotal		18,164,138	-	1,649,019	16,515,119	1,723,662
Issuance premium - Series 2013B		394,365	-	39,437	354,928	-
<i>Total</i>		<u>\$18,558,503</u>	<u>\$ -</u>	<u>\$ 1,688,456</u>	<u>\$ 16,870,047</u>	<u>\$ 1,723,662</u>
2007 PERS pension bonds - issued October 31, 2007, due in semi-annual installments of \$40,000 to \$485,000, plus interest paid semi-annually at 4.89% to 5.62% through 2028.					\$ 3,265,000	
QSCB bonds - issued July 2010, due in annual interest-free installments of \$30,000 to \$170,000 through 2025. Interest subsidized by the federal government.					315,000	
General obligation bonds - issued February 2013, due in annual installments of \$120,000 to \$1,460,000, plus interest paid semi-annually at 0.32% to 2.44% through 2021.					3,605,000	
General obligation bonds - issued February 2013, due in annual installments of \$85,000 to \$1,575,000, plus interest paid semi-annually at 2.00% to 5.00% through 2027.					9,120,000	
2015 Blue Bird SPED Bus - issued December 2013, due in semi-annual installments through 2019.					12,181	
2015 Blue Bird Bus - issued December 2013, due in semi-annual installments through 2019.					11,100	
2016 Blue Bird Bus - issued April 2015, due in semi-annual installments through 2019.					40,241	
2016 Ford SPED Buses - issued April 2016, due in annual installments through 2019.					65,780	
2017 Blue Bird Bus - issued April 2017, due in annual installments through 2021.					80,817	
Issuance premiums - 2013B Refunding Bond, amortized semi-annually through June 2027.					354,928	
					<u>\$ 16,870,047</u>	

General obligation bonds and tax-exempt financing agreements 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 facilities. The general obligations bonds will be paid from general property tax revenues from the Debt Service Fund.

**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**LONG-TERM DEBT (Continued)**

Future debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,723,662	\$ 529,426	\$ 2,253,088
2020	1,913,832	487,725	2,401,557
2021	1,472,625	440,124	1,912,749
2022	1,525,000	397,848	1,922,848
2023	1,735,000	332,079	2,067,079
2024-28	8,145,000	664,240	8,809,240
	<u>\$ 16,515,119</u>	<u>\$ 2,851,442</u>	<u>\$ 19,366,561</u>

**Capital Leases**

The District has entered into five lease agreements as lessee for financing the acquisition of five school buses. These agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the net present value of its future minimum lease payments as of inception date. During the fiscal year, capital lease obligations decreased from \$339,138 to \$210,120 as a result of scheduled repayments.

Future minimum lease obligations included in debt service requirements summarized above are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 108,662	\$ 4,944	\$ 113,606
2020	73,832	2,456	76,288
2021	27,625	730	28,355
	<u>\$ 210,119</u>	<u>\$ 8,130</u>	<u>\$ 218,249</u>

**Defeased General Obligation Bonds**

In 2004 and 2013, the District defeased general obligation bonds outstanding by placing the proceeds of new bonds in irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and liabilities for the defeased obligations are not included in the District's basic financial statements. At June 30, 2018, defeased general obligation bonds outstanding were \$2,755,000.

**Sinking Fund for Series 2010A**

Series A of the 2010 General Obligation Bond (Qualified School Construction Bond) requires bond principal of \$500,000 to be paid periodically throughout the life of the bond term. Levied tax revenues are being set aside in a sinking fund to meet these obligations. The District is in compliance with this requirement.

**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**LONG-TERM DEBT (Continued)**

Future required sinking fund deposits are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 34,000
2020	34,000
2021	34,000
2022	34,000
2023	34,000
2024-2025	68,000
	<u>\$ 238,000</u>

**INTER-FUND ACTIVITY**

The District completed the following inter-fund transactions during the year ended June 30, 2018:

<b>Fund</b>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 267,737
Facilities Fund	34,655	-
Other Governmental Funds		
Nutrition Services	8,082	-
Student Activity	200,000	-
Vehicle Replacement	25,000	-
	<u>\$ 267,737</u>	<u>\$ 267,737</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Inter-fund activities occasionally include inter-fund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These inter-fund receivables and payable are expected to be repaid within one year.

## **CRESWELL SCHOOL DISTRICT**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2018*

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### **PENSION PLAN**

Plan Description – 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/pages/financials/Actuarial-Financial-Information.aspx>.

### **PERS Pension (Chapter 238)**

The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.

**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.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

**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 disable 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 amount of the annual benefit.

***PENSION PLAN (Continued)***

**Oregon Public Service Retirement Plan Pension Program (OPSRP DB)**

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. The 2003 Oregon Legislature passed PERS reform legislation that essentially created a new retirement plan for employees hired on or after August 29, 2003. These employees became members of the Oregon Public Service Retirement Plan (OPSRP). OPSRP is a hybrid retirement plan with two components: the Pension Program (defined benefit plan) and the Individual Account Program (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan). OPSRP is administered by PERS.

**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 funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2018 were \$1,176,036, excluding amounts to fund employer specific liabilities. For the year ended June 30, 2018, \$366,324 was charged as PERS benefits expenditures to be used for

**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**PENSION PLAN (Continued)**

**Contributions (Continued)**

bond payments as they become due. Employer pension expense of \$1,094,943 was recognized during the reporting period.

At June 30, 2018, the District reported a net pension liability of \$10,956,606 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, rolled forward to the measurement date of June 30, 2017. 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, 2017, the District's proportion was 0.0813 percent.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<i>Deferred Outflow of Resources</i>	<i>Deferred (Inflow) of Resources</i>	<i>Net</i>
Difference between expected and actual experience	\$ 529,866	\$ -	
Changes in assumptions	1,997,194	-	
Net difference between projected and actual earnings on pension plan investments	112,879	-	
Changes in proportionate share	-	(621,246)	
Difference between employer contributions and employer's proportionate share of system contributions	183,698	(10,169)	
Subtotal - Amortized Deferrals (below)	<u>2,823,637</u>	<u>(631,415)</u>	<u>\$ 2,192,222</u>
District contributions subsequent to measurement date	1,176,036	-	
Net deferred outflow (inflow) of resources	<u>\$ 3,999,673</u>	<u>\$ (631,415)</u>	

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

<i>Year ending June 30,</i>	<i>Amount</i>
2019	\$ 406,717
2020	1,289,290
2021	828,397
2022	(332,275)
2023	93
Total	<u>\$ 2,192,222</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASBS No. 68 reporting summary dated February 20, 2018. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/PERS/pages/financials/Actuarial-Financial-Information.aspx>.

**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

**PENSION PLAN (Continued)**

**Actuarial Valuations**

The employer contribution rates effective July 1, 2017 through June 30, 2019, 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 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, 2015
Measurement date	June 30, 2017
Experience study	2014, published September 2015
Actuarial cost method	Entry age normal
<b>Actuarial Assumptions</b>	
Inflation Rate	2.50%
Long-term expected rate of return	7.50%
Discount rate	7.50%
Projected salary increases	3.50%
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p><b>Healthy retirees and beneficiaries :</b>  RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active members :</b>  Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><b>Disabled retirees :</b>  Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Six-distinct, generational per Scale BB, disabled mortality table.</p>

(Source: June 30, 2017 PERS CAFR; Table 28; page 65)

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 2014 Experience Study which is reviewed for the four-year period ending December 31, 2014.

***PENSION PLAN (Continued)***

**Actuarial Methods and Assumptions (Continued)**

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

**Depletion Date Projection** – GASBS No. 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASBS No. 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASBS No. 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

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

Based on these circumstances, the detailed depletion date projections outlined in GASBS No. 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

(Source: June 30, 2017 PERS CAFR; page 66)



**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**PENSION PLAN (Continued)**

**Assumed Asset Allocation**

Asset Class/Strategy	OIC Policy Range	Current Year Target
Cash	0.0 - 3.0 %	0.0 %
Debt Securities	15.0 - 25.0	20.0
Public Equity	32.5 - 42.5	37.5
Real Estate	9.5 - 15.5	12.5
Private Equity	13.5 - 21.5	17.5
Alternative Equity	0.0 - 12.5	12.5
Opportunity Portfolio	0.0 - 3.0	0.0
<b>Total</b>		<b>100.0 %</b>

(Source: June 30, 2017 PERS CAFR; page 92)

**Long-Term Expected Rate of Return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

(Source: June 30, 2017 PERS CAFR; pages 65-66)

**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

**PENSION PLAN (Continued)**

**Long-Term Expected Rate of Return (Continued)**

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

\* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014, and the revised allocation was adopted at the June 3, 2015 OIC Meeting.

(Source: June 30, 2017 PERS CAFR; Table 34; Page 69)

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

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability (asset)	\$ 18,672,057	\$ 10,956,606	\$ 4,505,060

Additional disclosures related to Oregon PERS not applicable to specific employers are 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/pages/index.aspx>

**PENSION PLAN (Continued)**

**OPSRP Individual Account Program (OPSRP IAP)**

**Plan Description** – ORS Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member’s IAP account. OPSRP is part of Oregon PERS, and is administered by the Oregon PERS Board.

**Pension Benefits** – An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member 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, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

**Death Benefits** – Upon the death of a non-retired member, the beneficiary receives in a lump sum the member’s account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lumpsum payment.

**Contributions** – District employees are required to contribute 6 percent of their covered payroll to their IAP. During the year ended June 30, 2018, the District paid or “picked up” \$383,438 in employee contributions.

***OTHER POSTEMPLOYMENT BENEFITS (OPEBs)***

The District offers a postemployment health insurance subsidy and contributes to a retirement health insurance account through Oregon Public Employees Retirement System. The breakdown of the OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to these OPEB plans are as follows:

	Medical Subsidy	Retiree Health Insurance Account (RHIA)
Total OPEB Liability	\$ 1,318,642	\$ -
Net OPEB Asset	-	24,534
OPEB Deferred Outflows of Resources	63,494	30,083
OPEB Deferred Inflows of Resources	52,505	12,031

**Post-Employment Healthcare Benefits (Medical Subsidy)**

The Post-Employment Healthcare Benefits (Medical Subsidy) for the District combines two separate plans. The District provides an implicit rate subsidy for retiree health insurance premiums, and a contribution toward eligible participants’ medical premiums.

**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**OTHER POSTEMPLOYMENT BENEFITS (OPEBs) (Continued)**

**Post-Employment Healthcare Benefits (Medical Subsidy) (Continued)**

As of the valuation date of July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	8
Active employees	145
	<u>153</u>

**Plan Description - Explicit Subsidy** - The District maintains a single-employer defined benefit early retirement supplement program for its employees. This program covers full-time licensed personnel of the District who retire with at least 20 consecutive years of service to the District and were hired prior to April 4, 2005. Benefits are offered until age 65 or death. Coverage continues for a maximum duration of 5 years, starting at the end of the year in which the employee is first eligible for unreduced retirement under Oregon PERS. The District does not issue a standalone report for this plan. The eligible licensed employee’s aggregate cost of a retiree’s program shall not exceed \$1,330 in any one month.

**Plan Description - Implicit Subsidy** - The District operates a single-employer defined benefit plan that provides postemployment health, dental, vision and life insurance benefits to eligible employees and their spouses. Eligible employees include all employees of the employer covered under OEBC medical benefits at the time of retirement. Employees must retire from active service while eligible for a pension benefit payable immediately under Oregon PERS. The District’s post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees.

Eligible retirees and their dependents under age 65 are allowed to receive the same health care coverage as active employees. Premiums for retirees are tiered and based upon the premium rates available to active employees. The retiree is responsible for any portion of the premiums not paid by the employer. The implicit employer subsidy is measured as the expected health care cost per retiree and dependent, less the gross premiums charged by the insurance carrier for that coverage. The subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare.

**Total OPEB Liability for Medical Subsidy**

The District’s total OPEB liability for Medical Subsidy of \$1,318,642 was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2017 using the entry age normal actuarial cost method. The sum of the explicit and implicit OPEB liability is reported as a single item within the Statement of Net Position.

**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

**OTHER POSTEMPLOYMENT BENEFITS (OPEBs) (Continued)**

**Actuarial assumptions and other inputs**

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2017
Measurement date	June 30, 2017
Experience study	Most recent experience study for Oregon PERS
Actuarial cost method	Entry age normal
Actuarial Assumptions	
Inflation Rate	2.50%
Discount rate	3.58%
Projected salary increases	3.50%
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p><b>Healthy retirees and beneficiaries:</b>  RP-2014 Employee and Healthy Annuitant tables, White collar, sex-distinct for members and dependents.</p> <p><b>Active members:</b>  For members only, a one year setback is applied.</p> <p><b>Disabled retirees:</b>  Not used.</p>

**Discount Rate** - Under GASB Statement No. 75, unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The discount rate in effect for the June 30, 2018 reporting date is 3.58 percent, reflecting the Bond Buyer 20-Year General Obligation Bond Index, which is an increase from 2.85 for the June 30, 2017 reporting date.

**Healthcare Cost Trend** – The actuarial calculations used an assumption that medical costs will increase 4.25 percent in the first year, 5.50 percent in the second year, 6.75 percent in the third year, and varying from 5.00 percent to 6.25 percent over the remainder of the projection period. These trends are based on a model circulated by the Society of Actuaries. The model considers current trends in health care costs, the potential impacts of the Affordable Care Act (including an excise tax scheduled to apply to high-cost plans beginning in 2022), and long-term constraints on trend such as growth in per capita income. It also assumed that dental and vision costs will increase by 4.00 percent in each future year.

**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

**OTHER POSTEMPLOYMENT BENEFITS (OPEBs) (Continued)**

**Changes in the Total OPEB Liability for Medical Subsidy**

	<u>Total Medical Subsidy OPEB Liability</u>
Balance at July 1, 2017	\$ 1,314,050
Changes for the year:	
Service cost	87,135
Interest on total OPEB liability	39,072
Effect of assumptions changes or inputs	(60,709)
Benefit payments	(60,906)
Net changes	<u>4,592</u>
Balance at June 30, 2018	<u>\$ 1,318,642</u>

The discount rate in effect for the June 30, 2018 reporting date is 3.58 percent, reflecting the Bond Buyer 20-Year General Obligation Bond Index, an increase from 2.85 for the June 30, 2017 reporting date.

**Sensitivity of the Total OPEB Liability for Medical Subsidy to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	<u>1% Decrease (2.58%)</u>	<u>Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB liability for medical subsidy	\$ 1,402,171	\$ 1,318,642	\$ 1,238,247

**Sensitivity of the Total OPEB Liability for Medical Subsidy to Changes in the Healthcare Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability for medical subsidy	\$ 1,200,958	\$ 1,318,642	\$ 1,452,914

**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**OTHER POSTEMPLOYMENT BENEFITS (OPEBs) (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical Subsidy**

For the year ended June 30, 2018, the District recognized OPEB expense of \$54,509. At June 30, 2018, the District reported deferred outflows of resources or deferred inflows of resources related to the medical benefits plan from the following sources:

	<i>Deferred Outflow of Resources</i>	<i>Deferred (Inflow) of Resources</i>	<i>Net</i>
Changes of assumptions or inputs	\$ -	\$ (52,505)	
Subtotal - Amortized Deferrals (below)	-	(52,505)	\$ (52,505)
Benefit payments subsequent to measurement date	63,494	-	
Net deferred outflow (inflow) of resources	\$ 63,494	\$ (52,505)	

Deferred outflows of resources related to the medical subsidy of \$63,494 resulting from the District’s benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the medical subsidy in the year ended June 30, 2019. Other amounts reported as deferred outflows or inflow of resources related to the medical subsidy will be recognized in OPEB expense as follows:

<i>Year ending June 30,</i>	<i>Amount</i>
2019	\$ (8,204)
2020	(8,204)
2021	(8,204)
2022	(8,204)
2023	(8,204)
Thereafter	(11,485)
Total	\$ (52,505)

**Retirement Health Insurance Account (RHIA)**

**Plan Description** – As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by the OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. The plan, which was established under Oregon Revised Statutes (ORS) 238.420, provided for a payment of up to \$60 per month toward the costs of Medicare companion health insurance for eligible retirees. A comprehensive annual financial report of the funds administered by the OPERS may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700 or by accessing the PERS website at: [www.oregon.gov/PERS/](http://www.oregon.gov/PERS/).

**CRESWELL SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2018

**OTHER POSTEMPLOYMENT BENEFITS (OPEBs) (Continued)**

**Retirement Health Insurance Account (RHIA) (Continued)**

**Benefits Provided** – Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

**Contributions** – PERS funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The District's contribution rates for the period were 0.50 percent for Tier One/Tier Two members, and 0.43 percent for OPSRP members. The District's contributions for the year ended June 30, 2018 totaled \$30,083.

**Net OPEB Liability or Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to RHIA**

At June 30, 2018 the District reported an asset of \$24,534 for its proportionate share of the net OPEB asset related to RHIA. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2015, rolled forward to the measurement date. The district's proportion of the net OPEB asset was based on the District's actual, legally required contributions made during the fiscal year being compared to the total actual contributions made in the fiscal year by all employers. The District's proportionate share as of the measurement date is 0.0588 percent, changed from 0.0622 percent for the prior measurement date.

For the year ended June 30, 2018, the District recognized OPEB expense reduction of \$28,294 related to the RHIA. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the RHIA OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred (Inflow) of Resources</u>	<u>Net</u>
Net difference between projected and actual earnings on investments	\$ -	\$ (11,363)	
Changes in proportionate share	-	(668)	
Subtotal - Amortized Deferrals (below)	-	(12,031)	\$ (12,031)
Contributions subsequent to measurement date	30,083	-	
Net deferred outflow/(inflow) of resources	\$ 30,083	\$ (12,031)	



**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

**OTHER POSTEMPLOYMENT BENEFITS (OPEBs) (Continued)**

Deferred outflows of resources related to RHIA of \$30,083 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for RHIA in the year ended June 30, 2019. Other amounts reported as deferred outflows or inflow of resources related to RHIA will be recognized in OPEB expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ (3,088)
2020	(3,088)
2021	(3,015)
2022	(2,840)
Total	<u>\$ (12,031)</u>

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Valuation date	December 31, 2015
Measurement date	June 30, 2017
Experience study	2014, published September 2015
Actuarial Assumptions	
Actuarial cost method	Entry age normal
Inflation Rate	2.50%
Long-term expected rate of return	7.50%
Discount rate	7.50%
Retiree healthcare participation	Healthy retirees: 38% Disabled retirees: 20%
Healthcare cost trend rate	Not applicable. Statute stipulates \$60 monthly payments for healthcare insurance
Mortality	<p><b>Healthy retirees and beneficiaries:</b>  RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b>  Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><b>Disabled retirees:</b>  Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Six-distinct, generational per Scale BB, disabled mortality table.</p>

(Source: June 30, 2017 Oregon PERS CAFR; Table 31; page 68)

**OTHER POSTEMPLOYMENT BENEFITS (OPEBs) (Continued)**

**Actuarial Assumptions and Other Inputs (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits 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 methods and assumptions shown above are based on the 2014 experience study which reviewed experience for the four-year period ending on December 31, 2014.

**Long-Term Expected Rate of Return**

For a summary of assumptions related to long-term expected rate of return, please refer to pages 34-35.

**Sensitivity of the Net OPEB Liability (Asset) for RHIA to Changes in the Discount Rate**

The following presents the District’s proportionate share of the net OPEB liability (asset) for the Retirement Health Insurance Account, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current discount rate:

	<u>1% Decrease</u> <u>(6.50%)</u>	<u>Discount Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
District's proportionate share of the net OPEB liability (asset) for RHIA	\$ 3,420	\$ (24,534)	\$ (48,311)

**Sensitivity of the Net OPEB Liability (Asset) for RHIA to Changes in the Healthcare Cost Trend Rates**

The District’s proportionate share of the net OPEB liability (asset) for RHIA is (\$24,534). The ORS stipulates a \$60 monthly payment, so there would be no change to the net OPEB liability if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate.

**OPEB Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued OPERS financial report.

**Changes in Plan Provisions Subsequent to Measurement Date**

The PERS Board lowered the Assumed Rate of Return from 7.50 percent to 7.20 percent on July 28, 2017. This change is effective January 1, 2018, and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

***DEFERRED COMPENSATION***

The District has made available to its employees a deferred compensation plan where they may defer amounts earned until either termination by reason of death, resignation, disability, or retirement. Payment to employees will extend over a period of fifteen years. These deposits are not subject to the collateral requirements of Oregon law and are excluded from resources for budgetary purposes. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries.

***RISK MANAGEMENT***

The District purchased commercial insurance to cover all commonly insurable risks, including property, liability, vehicles, fidelity bond, worker's compensation and unemployment. All policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

***COMMITMENTS AND CONTINGENCIES***

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, or expenditures which may be disallowed by the grantor agencies cannot be determined at this time although the District expects such amounts, if any to be immaterial.

Management has represented that there are no contingent liabilities that require disclosure or recognition in accordance with Accounting Standards Codification (ASC) 450-20. Such contingent liabilities would include, but would not be confined to: notes or accounts receivable which have been discounted; pending suits; proceedings, hearings, or negotiations possibly involving retroactive adjustments; unsatisfied judgments or claims; taxes in dispute; endorsements or guarantees; and options.

The District is a defendant in various pending litigation and administrative proceedings from time to time. Management believes any losses arising from these actions will not materially affect the District's financial position.

***CONCENTRATIONS***

The District is dependent on the State of Oregon for a substantial portion of its operating funds. Due to funding uncertainties at the State level, funding for school districts may be reduced. The ultimate effect on this possible reduction in funding on the District's future operation is not yet determinable.

**CRESWELL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**EXPENDITURES IN EXCESS OF APPROPRIATIONS**

Oregon law prohibits expenditures in excess of board approved appropriations. The board approves appropriations for each fund by major function. For the year ended June 30, 2018, expenditures exceeded appropriations as follows:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Other Nonmajor Governmental Funds			
<i>Nutrition Services Fund</i>			
Enterprise and community services	\$ 464,516	\$ 475,080	\$ (10,564)

**RESTATEMENT OF PRIOR YEAR NET POSITION**

In implementing GASB Statement No. 75, the District has restated beginning net position in order to establish the total OPEB liability for the District’s Medical Subsidy plan and the District’s proportionate share of the net OPEB liability of the Oregon Public Employees Retirement Systems (OPERS). The restatement also establishes a deferred outflow of resources related to OPEB contributions made after the June 30, 2016 measurement date for each plan.

The total restatement is as follows:

Net Position - July 1, 2017 as originally reported		\$ 3,604,843
Addition of Net OPEB liability for RHIA	\$ (16,880)	
Addition of Total OPEB liability for medical subsidy	(1,314,050)	
Addition of OPEB deferred outflows for RHIA	31,172	
Addition of OPEB deferred outflows for medical subsidy	<u>60,906</u>	
Total restatement		<u>(1,238,852)</u>
Net position - July 1, 2017 as restated		<u><u>\$ 2,365,991</u></u>

**TAX ABATEMENTS**

Tax abatements result from agreements between Lane County and others, which reduced the District’s levied property taxes. As of June 30, 2018, the District was not materially affected by tax abatement agreements.

**NEW PRONOUNCEMENTS**

For the fiscal year ended June 30, 2018, the District implemented the following new accounting standards:

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities.

The District will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the following pronouncements.

**CRESWELL SCHOOL DISTRICT**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2018*

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***NEW PRONOUNCEMENTS (Continued)***

GASB Statement No. 83 “*Certain Asset Retirement Obligations.*” This Statement establishes criteria for determining the timing and pattern or recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The statement is effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 84 “*Fiduciary Activities.*” This Statement establishes criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds. The statement is effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87 “*Leases.*” This Statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The statement is effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 88 “*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.*” This Statement addresses requirements for interest costs incurred before the end of a construction period, which previously were included in the historical cost of a capital asset. The statement is effective for fiscal years beginning after December 15, 2019.

***REQUIRED SUPPLEMENTARY INFORMATION***

**CRESWELL SCHOOL DISTRICT****SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR PERS  
YEAR ENDED JUNE 30, 2018**

<i>Year Ended June 30,</i>	<i>Employer's proportion of the net pension liability (NPL)</i>	<i>Employer's proportionate share of the net pension liability (NPL) (1)</i>	<i>Covered payroll (2)</i>	<i>NPL as a percentage of covered payroll</i>	<i>Plan fiduciary net position as a percentage of the total pension liability</i>
2018	0.08%	\$ 10,956,606	\$ 6,322,794	173.3%	83.1%
2017 (5)	0.09%	12,903,169	6,165,743	209.3%	80.5%
2016 (4)	0.09%	5,346,421	6,009,026	89.0%	91.9%
2015 (3)	0.09%	(2,131,920)	5,598,774	-38.1%	103.6%
2014	0.09%	4,799,679	5,637,816	85.1%	92.0%

## Notes:

These schedules required 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.

(1) The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

(2) Amounts for covered payroll use the prior year's data to match the measurement date used by the pension plan for each fiscal year.

(3) The June 30, 2015 NPL reflects benefit changes from the Senate Bills 822 and 861.

(4) The June 30, 2016 NPL reflects benefit changes from the Oregon Supreme Court's ruling in *Moro v. State of Oregon*, which overturned portions of Senate Bills 822 and 861.

(5) The June 30, 2017 NPL reflects assumption changes reducing inflation rate from 2.75 percent to 2.50 percent, the long-term expected rate of return from 7.75 percent to 7.50 percent, the discount rate from 7.75 percent to 7.50 percent and the projected salary increases from 3.75 percent to 3.50 percent.

**CRESWELL SCHOOL DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS FOR PERS**  
**YEAR ENDED JUNE 30, 2018**

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<i>Year Ended June 30,</i>	<i>Statutorily required contribution</i>	<i>Contributions in relation to the statutorily required contribution</i>	<i>Contribution deficiency (excess)</i>	<i>Covered payroll</i>	<i>Contributions as a percent of covered payroll</i>
2018	\$ 1,176,036	\$ 1,176,036	\$ -	\$ 6,468,533	18.2%
2017	958,821	958,821	-	6,322,794	15.2%
2016	949,453	949,453	-	6,165,743	15.4%
2015	1,053,572	1,053,572	-	6,009,026	17.5%
2014	988,038	988,038	-	5,598,774	17.6%

Notes:

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

These schedules are required 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.



**CRESWELL SCHOOL DISTRICT**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY FOR RHIA  
YEAR ENDED JUNE 30, 2018**

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<u>Year Ended June 30,</u>	<u>Employer's proportion of net OPEB liability</u>	<u>Employer's proportionate share of the net OPEB liability</u>	<u>Covered payroll (2)</u>	<u>NOL as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total OPEB liability</u>
2018	0.06%	\$ (24,534)	\$ 6,322,794	-0.39%	108.9%
2017	0.06%	16,880	6,165,743	0.27%	94.1%

Notes:

These schedules are required 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.

- (1) The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.
- (2) Amounts for covered payroll use the prior year's data to match the measurement date used by the OPEB plan for each fiscal year.

**CRESWELL SCHOOL DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS FOR RHIA**  
**JUNE 30, 2018**

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<i>Year Ended June 30,</i>	<i>Statutorily required contribution</i>	<i>Contributions in relation to the statutorily required contribution</i>	<i>Contribution deficiency (excess)</i>	<i>Covered payroll</i>	<i>Contributions as a percent of covered payroll</i>
2018	\$ 30,083	\$ 30,083	\$ -	\$ 6,468,533	0.47%
2017	31,172	31,172	-	6,322,794	0.49%

Notes:

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

These schedules are required 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.

**CRESWELL SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND THE SCHEDULE OF TOTAL OPEB LIABILITY AND RELATED RATIOS FOR MEDICAL SUBSIDY  
JUNE 30, 2018**

***Schedule of Changes in the Total OPEB Liability for Medical Subsidy***

<u>Year ended June 30,</u>	<u>Service costs</u>	<u>Interest on total OPEB liability</u>	<u>Difference between expected and actual results</u>	<u>Changes of assumptions or other inputs</u>	<u>Benefit payments - Medical subsidy</u>	<u>Net change in total OPEB liability</u>
2018	\$ 87,135	\$ 39,072	\$ -	\$ (60,709)	\$ (60,906)	\$ 4,592

***Schedule of Total OPEB Liability and Related Ratios for Medical Subsidy***

<u>Year ended June 30,</u>	<u>Total OPEB liability beginning</u>	<u>Net change in total OPEB liability</u>	<u>Total OPEB liability ending (1)</u>	<u>Covered payroll (2)</u>	<u>Total OPEB liability as percentage of covered payroll</u>	<u>Discount rate</u>
2018	\$ 1,314,050	\$ 4,592	\$ 1,318,642	\$ 6,468,533	20.39%	3.58%

Notes:

These schedules are required 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.

*Changes of assumptions.* Changes of assumptions and other inputs reflect the effects of changes to the discount rate each period.

- (1) The amounts presented for each fiscal year were actuarially determined as of July 1 of odd numbered years and rolled forward to a measurement date that is 12 months prior to the reporting date.
- (2) Amounts for covered payroll use the prior year's data to match the measurement date used by the OPEB plan for each fiscal year.

**CRESWELL SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Budget to</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Final Budget</u>	<u>GAAP</u>	<u>GAAP Basis</u>
<b>REVENUES</b>						
Property taxes	\$ 3,080,130	\$ 3,080,130	\$ 3,116,415	\$ 36,285	\$ -	\$ 3,116,415
Intergovernmental						
Intermediate sources	41,643	41,643	46,383	4,740	-	46,383
State sources	8,726,064	8,726,064	9,545,250	819,186	-	9,545,250
Federal sources	-	-	55,328	55,328	-	55,328
Charges for services	15,200	15,200	26,207	11,007	-	26,207
Investment earnings	45,000	45,000	76,614	31,614	-	76,614
Miscellaneous	102,600	102,600	143,361	40,761	-	143,361
<i>Total Revenues</i>	12,010,637	12,010,637	13,009,558	998,921	-	13,009,558
<b>EXPENDITURES</b>						
Current						
Instruction	7,612,713	7,612,713	7,283,089	329,624	-	7,283,089
Support services	4,962,529	4,944,529	4,933,246	11,283	(14,438)	4,918,808
Capital outlay	-	-	-	-	14,438	14,438
Contingency	675,000	675,000	-	675,000	-	-
<i>Total Expenditures</i>	13,250,242	13,232,242	12,216,335	1,015,907	-	12,216,335
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(1,239,605)	(1,221,605)	793,223	2,014,828	-	793,223
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(260,395)	(278,395)	(267,737)	10,658	-	(267,737)
<b>NET CHANGE IN FUND BALANCE</b>	(1,500,000)	(1,500,000)	525,486	2,025,486	-	525,486
<b>FUND BALANCE, beginning</b>	1,500,000	1,500,000	1,508,439	8,439	-	1,508,439
<b>FUND BALANCE, ending</b>	\$ -	\$ -	\$ 2,033,925	\$ 2,033,925	\$ -	\$ 2,033,925

See notes to required supplementary information.

**CRESWELL SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - FACILITIES FUND**  
**YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance with Final Budget</u>	<u>Budget to GAAP Differences</u>	<u>Actual GAAP Basis</u>
	<u>Original</u>	<u>Final</u>				
<b>REVENUES</b>						
Construction excise tax	\$ 51,300	\$ 51,300	\$ 66,829	\$ 15,529	\$ -	\$ 66,829
Intergovernmental						
Federal sources	-	-	-	-	15,504	15,504
Investment earnings	4,225	4,225	12,574	8,349	-	12,574
Miscellaneous	30,200	30,200	30,403	203	-	30,403
<i>Total Revenues</i>	<u>85,725</u>	<u>85,725</u>	<u>109,806</u>	<u>24,081</u>	<u>15,504</u>	<u>125,310</u>
<b>EXPENDITURES</b>						
Current						
Support services	30,000	30,000	-	30,000	-	-
Facilities acquisition and construction	50,000	50,000	-	50,000	-	-
Debt service						
Interest	1,500	1,500	1,096	404	15,504	16,600
Contingency	491,790	491,790	-	491,790	-	-
<i>Total Expenditures</i>	<u>573,290</u>	<u>573,290</u>	<u>1,096</u>	<u>572,194</u>	<u>15,504</u>	<u>16,600</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(487,565)	(487,565)	108,710	596,275	-	108,710
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	35,395	35,395	34,655	(740)	-	34,655
<b>NET CHANGE IN FUND BALANCE</b>	(452,170)	(452,170)	143,365	595,535	-	143,365
<b>FUND BALANCE, beginning</b>	<u>537,470</u>	<u>537,470</u>	<u>549,916</u>	<u>12,446</u>	<u>-</u>	<u>549,916</u>
<b>FUND BALANCE, ending</b>	<u>\$ 85,300</u>	<u>\$ 85,300</u>	<u>\$ 693,281</u>	<u>\$ 607,981</u>	<u>\$ -</u>	<u>\$ 693,281</u>

See notes to required supplementary information.

**CRESWELL SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GRANTS FUND**  
**YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>	<b>Budget to GAAP</b>	<b>Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Budget Basis</b>	<b>Final Budget</b>	<b>Differences</b>	<b>GAAP Basis</b>
<b>REVENUES</b>						
Intergovernmental						
Intermediate sources	\$ 20,600	\$ 20,600	\$ -	\$ (20,600)	\$ -	\$ -
State sources	438,800	438,800	187,428	(251,372)	-	187,428
Federal sources	732,500	732,500	600,060	(132,440)	-	600,060
Contributions	354,000	354,000	51,070	(302,930)	-	51,070
Miscellaneous	35,000	35,000	11,584	(23,416)	-	11,584
<i>Total Revenues</i>	1,580,900	1,580,900	850,142	(730,758)	-	850,142
<b>EXPENDITURES</b>						
Current						
Instruction	1,341,796	1,336,796	689,363	647,433	(14,449)	674,914
Support services	234,100	234,100	154,851	79,249	-	154,851
Enterprise and community services	5,004	10,004	7,043	2,961	-	7,043
Capital outlay	-	-	-	-	14,449	14,449
<i>Total Expenditures</i>	1,580,900	1,580,900	851,257	729,643	-	851,257
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(1,115)	(1,115)	-	(1,115)
<b>FUND BALANCE, beginning</b>	-	-	99,127	99,127	-	99,127
<b>FUND BALANCE, ending</b>	\$ -	\$ -	\$ 98,012	\$ 98,012	\$ -	\$ 98,012

See notes to required supplementary information.

**CRESWELL SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2018**

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**BUDGETARY BASIS ACCOUNTING**

The District accounts for certain transactions on a budgetary basis which differs from GAAP basis. A description of the principal differences between the budgetary basis and GAAP in recording and reporting transactions follows:

	<u>Budgetary Basis</u>	<u>GAAP Basis</u>
Properties acquired by long-term financing such as from capital leases or installment contracts	Only the current year's payment is recorded as a capital outlay expenditure of the fund in which payments are budgeted.	The net present value of the total stream of payments is recorded in the fund from which payments will be made as an expenditure in the year of acquisition with a corresponding offset to other financing sources. Subsequent payments on the obligations are recorded as debt service expenditures.
Classification of expenditures by character	The character of expenditures (current expenditures, capital outlay, debt service) is reported at the object level. Budgets and appropriations are made for each major function.	Expenditures are classified and reported by character (current expenditures, capital outlay and debt service) within the financial statements.
Donated capital assets	The revenue and expenditures arising from the receipt of donated capital assets are not recorded in the budgetary basis financial statements.	The fair value of donated capital assets is recorded as contribution revenue and capital outlay expenditures in the fund from which the purchase of the same assets would have been recorded.

***OTHER SUPPLEMENTARY INFORMATION***



**CRESWELL SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Budget and GAAP Basis</i>	<i>Final Budget</i>
<b>REVENUES</b>				
Property taxes	\$ 1,675,300	\$ 1,675,300	\$ 1,704,885	\$ 29,585
Investment earnings	18,515	18,515	26,436	7,921
Miscellaneous	380,800	380,800	378,341	(2,459)
<i>Total Revenues</i>	2,074,615	2,074,615	2,109,662	35,047
<b>EXPENDITURES</b>				
Debt service				
Principal	1,520,000	1,520,000	1,520,000	-
Interest and other charges	573,570	573,570	571,516	2,054
Contingency	207,760	207,760	-	207,760
<i>Total Expenditures</i>	2,301,330	2,301,330	2,091,516	209,814
<b>NET CHANGE IN FUND BALANCE</b>	(226,715)	(226,715)	18,146	244,861
<b>FUND BALANCE, beginning</b>	226,715	226,715	201,082	(25,633)
<b>FUND BALANCE, ending</b>	\$ -	\$ -	\$ 219,228	\$ 219,228

**CRESWELL SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<i>Special Revenue</i>		
	<i>Nutrition Services</i>	<i>Student Activity</i>	<i>Scholarship</i>
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 25,240	\$ 31,071
Receivable from other governments	21,115	-	-
Inventories	8,798	-	-
<i>Total Assets</i>	<u>\$ 29,913</u>	<u>\$ 25,240</u>	<u>\$ 31,071</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ 4,827	\$ 348	\$ -
Due to other funds	25,086	-	-
<i>Total Liabilities</i>	29,913	348	-
<b>Fund Balance</b>			
Nonspendable inventory	8,798	-	-
Committed to:			
Student body	-	24,892	31,071
Capital projects	-	-	-
Unassigned	(8,798)	-	-
<i>Total Fund Balance</i>	<u>-</u>	<u>24,892</u>	<u>31,071</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 29,913</u>	<u>\$ 25,240</u>	<u>\$ 31,071</u>

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<i>Special Revenue</i>		
<i>Student Body</i>	<i>Vehicle Replacement</i>	<i>Total</i>
\$ 180,311	\$ 104,808	\$ 341,430
-	-	21,115
-	-	8,798
<hr/>	<hr/>	<hr/>
\$ 180,311	\$ 104,808	\$ 371,343
<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ 5,175
11,969	-	37,055
<hr/>	<hr/>	<hr/>
11,969	-	42,230
-	-	8,798
168,342	-	224,305
-	104,808	104,808
-	-	(8,798)
<hr/>	<hr/>	<hr/>
168,342	104,808	329,113
<hr/>	<hr/>	<hr/>
\$ 180,311	\$ 104,808	\$ 371,343
<hr/>	<hr/>	<hr/>

**CRESWELL SCHOOL DISTRICT****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018**

	<i>Special Revenue</i>		
	<i>Nutrition Services</i>	<i>Student Activity</i>	<i>Scholarship</i>
<b>REVENUES</b>			
Intergovernmental			
State sources	\$ 9,651	\$ -	\$ -
Federal sources	341,932	-	-
Charges for services	100,024	75,226	-
Contributions	-	610	8,000
Investment earnings	5	-	490
Miscellaneous	572	400	-
<i>Total Revenues</i>	<u>452,184</u>	<u>76,236</u>	<u>8,490</u>
<b>EXPENDITURES</b>			
Current			
Instruction	-	206,226	-
Support services	-	49,284	-
Enterprise and community services	475,080	-	16,107
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
<i>Total Expenditures</i>	<u>475,080</u>	<u>255,510</u>	<u>16,107</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(22,896)	(179,274)	(7,617)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>8,082</u>	<u>200,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(14,814)	20,726	(7,617)
<b>FUND BALANCES, beginning</b>	<u>14,814</u>	<u>4,166</u>	<u>38,688</u>
<b>FUND BALANCES, ending</b>	<u>\$ -</u>	<u>\$ 24,892</u>	<u>\$ 31,071</u>

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<i>Special Revenue</i>		
<i>Student Body</i>	<i>Vehicle Replacement</i>	<i>Total</i>
\$ -	\$ 72,943	\$ 82,594
-	-	341,932
201,530	-	376,780
38,476	-	47,086
-	2,299	2,794
2,417	-	3,389
242,423	75,242	854,575
208,395	-	414,621
-	-	49,284
-	-	491,187
-	129,019	129,019
-	8,199	8,199
-	18,588	18,588
208,395	155,806	1,110,898
34,028	(80,564)	(256,323)
-	25,000	233,082
34,028	(55,564)	(23,241)
134,314	160,372	352,354
\$ 168,342	\$ 104,808	\$ 329,113

**CRESWELL SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL – NUTRITION SERVICES FUND**  
**YEAR ENDED JUNE 30, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Budget and GAAP Basis</i>	<i>Final Budget</i>
<b>REVENUES</b>				
Intergovernmental				
State sources	\$ 10,820	\$ 10,820	\$ 9,651	\$ (1,169)
Federal sources	362,000	362,000	341,932	(20,068)
Charges for services	90,200	72,200	100,024	27,824
Investment earnings	-	-	5	5
Miscellaneous	1,500	1,500	572	(928)
<i>Total Revenues</i>	464,520	446,520	452,184	5,664
<b>EXPENDITURES</b>				
Current				
Enterprise and community services	464,516	464,516	475,080	(10,564)
Operating contingency	28,500	28,500	-	28,500
<i>Total Expenditures</i>	493,016	493,016	475,080	17,936
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(28,496)	(46,496)	(22,896)	23,600
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	18,000	8,082	(9,918)
<b>NET CHANGE IN FUND BALANCE</b>	(28,496)	(28,496)	(14,814)	13,682
<b>FUND BALANCE, beginning</b>	28,496	28,496	14,814	(13,682)
<b>FUND BALANCE, ending</b>	\$ -	\$ -	\$ -	\$ -

**CRESWELL SCHOOL DISTRICT****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL – STUDENT ACTIVITY FUND  
YEAR ENDED JUNE 30, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Budget and GAAP Basis</i>	<i>Final Budget</i>
<b>REVENUES</b>				
Charges for services	\$ 59,000	\$ 59,000	\$ 75,226	\$ 16,226
Contributions	69,626	69,626	610	(69,016)
Miscellaneous	-	-	400	400
<i>Total Revenues</i>	128,626	128,626	76,236	(52,390)
<b>EXPENDITURES</b>				
Current				
Instruction	233,626	226,126	206,226	19,900
Support services	45,000	52,500	49,284	3,216
Operating contingency	60,000	60,000	-	60,000
<i>Total Expenditures</i>	338,626	338,626	255,510	83,116
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(210,000)	(210,000)	(179,274)	30,726
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	200,000	200,000	200,000	-
<b>NET CHANGE IN FUND BALANCE</b>				
	(10,000)	(10,000)	20,726	30,726
<b>FUND BALANCE, beginning</b>				
	10,000	10,000	4,166	(5,834)
<b>FUND BALANCE, ending</b>				
	\$ -	\$ -	\$ 24,892	\$ 24,892

**CRESWELL SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SCHOLARSHIP FUND**  
**YEAR ENDED JUNE 30, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Budget and GAAP Basis</i>	<i>Final Budget</i>
<b>REVENUES</b>				
Contributions	\$ 14,000	\$ 14,000	\$ 8,000	\$ (6,000)
Investment earnings	600	600	490	(110)
<i>Total Revenues</i>	14,600	14,600	8,490	(6,110)
<b>EXPENDITURES</b>				
Current				
Enterprise and community services	17,000	17,000	16,107	893
Operating contingency	32,110	32,110	-	32,110
<i>Total Expenditures</i>	49,110	49,110	16,107	33,003
<b>NET CHANGE IN FUND BALANCE</b>	(34,510)	(34,510)	(7,617)	26,893
<b>FUND BALANCE, beginning</b>	47,000	47,000	38,688	(8,312)
<b>FUND BALANCE, ending</b>	\$ 12,490	\$ 12,490	\$ 31,071	\$ 18,581



**CRESWELL SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL – STUDENT BODY FUND**  
**YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budget and GAAP Basis</b>	<b>Final Budget</b>
<b>REVENUES</b>				
Charges for services	\$ 205,000	\$ 205,000	\$ 201,530	\$ (3,470)
Contributions	35,000	35,000	38,476	3,476
Miscellaneous	10,000	10,000	2,417	(7,583)
<i>Total Revenues</i>	250,000	250,000	242,423	(7,577)
<b>EXPENDITURES</b>				
Current				
Instruction	250,000	250,000	208,395	41,605
Operating contingency	113,500	113,500	-	113,500
<i>Total Expenditures</i>	363,500	363,500	208,395	155,105
<b>NET CHANGE IN FUND BALANCE</b>	(113,500)	(113,500)	34,028	147,528
<b>FUND BALANCE, beginning</b>	113,500	113,500	134,314	20,814
<b>FUND BALANCE, ending</b>	\$ -	\$ -	\$ 168,342	\$ 168,342

**CRESWELL SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - VEHICLE REPLACEMENT FUND**  
**YEAR ENDED JUNE 30, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>	<i>Budget to GAAP</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Budget Basis</i>	<i>Final Budget</i>	<i>Differences</i>	<i>GAAP Basis</i>
<b>REVENUES</b>						
Intergovernmental						
State sources	\$ 76,812	\$ 76,812	\$ 72,943	\$ (3,869)	\$ -	\$ 72,943
Investment earnings	1,000	1,000	2,299	1,299	-	2,299
<i>Total Revenues</i>	77,812	77,812	75,242	(2,570)	-	75,242
<b>EXPENDITURES</b>						
Current						
Support services	156,400	156,400	155,806	594	(155,806)	-
Debt service						
Principal	-	-	-	-	129,019	129,019
Interest	-	-	-	-	8,199	8,199
Capital outlay	-	-	-	-	18,588	18,588
Operating contingency	106,084	106,084	-	106,084	-	-
<i>Total Expenditures</i>	262,484	262,484	155,806	106,678	-	155,806
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(184,672)	(184,672)	(80,564)	104,108	-	(80,564)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	25,000	25,000	25,000	-	-	25,000
<b>NET CHANGE IN FUND BALANCE</b>	(159,672)	(159,672)	(55,564)	104,108	-	(55,564)
<b>FUND BALANCE, beginning</b>	159,672	159,672	160,372	700	-	160,372
<b>FUND BALANCE, ending</b>	\$ -	\$ -	\$ 104,808	\$ 104,808	\$ -	\$ 104,808

***OTHER SCHEDULES***

**CRESWELL SCHOOL DISTRICT**  
**REVENUE SUMMARY - ALL FUNDS**  
**YEAR ENDED JUNE 30, 2018**

<i>Code</i>	<i>Function</i>	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>
<b>LOCAL REVENUES</b>				
1111	Current year's taxes	\$ 3,070,715	\$ -	\$ 1,670,970
1112	Prior year's taxes	45,700	-	33,915
1130	Construction Excise Tax	-	66,829	-
1312	Tuition from other districts within the state	5,651	-	-
1500	Earnings on investments	76,614	15,368	26,436
1600	Food service	-	100,024	-
1700	Extracurricular activities	1,742	276,756	-
1910	Rentals	18,814	-	-
1920	Contributions and donations from private sources	5,076	98,156	-
1970	Services provided other funds	-	-	378,341
1990	Miscellaneous	138,285	45,376	-
1000	<i>Total Local Revenues</i>	3,362,597	602,509	2,109,662
<b>INTERMEDIATE REVENUES</b>				
2101	County school funds	19,278	-	-
2199	Other intermediate sources	22,796	-	-
2800	Revenue in lieu of taxes	4,309	-	-
2000	<i>Total Intermediate Revenues</i>	46,383	-	-
<b>STATE REVENUES</b>				
3101	State school fund - general support	9,186,702	-	-
3102	State school fund - school lunch match	-	3,858	-
3103	Common school fund	140,721	-	-
3199	Other unrestricted grants-in-aid	217,827	-	-
3222	State school fund (SSF) transportation equipment	-	72,943	-
3299	Other restricted grants-in-aid	-	193,221	-
3000	<i>Total State Revenues</i>	9,545,250	270,022	-
<b>FEDERAL REVENUES</b>				
4500	Restricted revenue from the federal government through the state	-	906,690	-
4801	Federal forest fees	55,328	-	-
4900	Revenue for/on behalf of the district	-	35,302	-
4000	<i>Total Federal Revenues</i>	55,328	941,992	-
<b>OTHER SOURCES</b>				
5200	Interfund transfers	-	267,737	-
5400	<b>FUND BALANCE, Beginning of year</b>	1,508,439	1,001,397	201,082
<i>Total Resources</i>		<u>\$ 14,517,997</u>	<u>\$ 3,083,657</u>	<u>\$ 2,310,744</u>

**CRESWELL SCHOOL DISTRICT**  
**EXPENDITURE SUMMARY - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2018**

<i>Code</i>	<i>Function</i>	<i>Total</i>	<i>100 Salaries</i>	<i>200 Employee Benefits</i>
<b>INSTRUCTION</b>				
1100	Regular programs			
1111	Primary, K-5 or K-6	\$ 2,534,984	\$ 1,518,497	\$ 962,399
1121	Middle/junior high programs	1,218,445	741,269	451,480
1131	High school programs	1,508,651	893,275	557,790
1132	High school extracurricular	1,449	1,059	390
1200	Special programs			
1210	Programs for the talented and gifted	2,042	-	-
1220	Restrictive programs for students with disabilities	27,938	12,565	4,083
1250	Less restrictive programs for students with disabilities	1,770,590	697,539	444,891
1270	Educationally disadvantaged			
1271	Remediation	3,212	2,282	930
1280	Alternative education	55,748	18,378	13,609
1290	Designated programs			
1291	English language learner	160,030	98,226	61,466
1000	<i>Total Instruction</i>	<u>7,283,089</u>	<u>3,983,090</u>	<u>2,497,038</u>
<b>SUPPORT SERVICES</b>				
2100	Students			
2120	Guidance services	247,129	139,026	80,943
2140	Psychological services	151,688	94,253	55,996
2150	Speech pathology and audiology services	203,906	121,675	79,070
2190	Service direction, student support services	141,356	89,837	47,558
2200	Instructional staff			
2210	Improvement of instruction services	83,825	55,952	27,873
2220	Educational media services	102,890	55,260	42,395
2240	Instructional staff development	34,080	7,662	20,900
2300	General administration			
2310	Board of education services	16,532	-	-
2320	Executive administration services	237,732	145,084	83,298
2400	School administration			
2410	Office of the principal services	897,663	548,925	316,476
2490	Other support services - school administration	79,598	51,243	28,355
2500	Business			
2520	Fiscal services	356,223	162,488	105,538
2540	Operation and maintenance of plant services	1,118,814	341,457	224,442
2550	Student transportation services	833,955	432,660	294,003
2600	Central activities			
2660	Technology services	390,240	98,507	66,202
2690	Other support services - central	14,840	10,610	4,230
2700	Supplemental retirement program	22,775	-	22,775
2000	<i>Total Support Services</i>	<u>4,933,246</u>	<u>2,354,639</u>	<u>1,500,054</u>
<b>OTHER USES</b>				
5200	Transfers of funds	267,737	-	-
7000	<b>FUND BALANCE, End of year</b>	<u>2,033,925</u>	<u>-</u>	<u>-</u>
	<i>Total Expenditures and Ending Balance</i>	<u>\$ 14,517,997</u>	<u>\$ 6,337,729</u>	<u>\$ 3,997,092</u>

<i>300 Purchased Services</i>	<i>400 Supplies &amp; Materials</i>	<i>500 Capital Outlay</i>	<i>600 Other Objects</i>	<i>700 Transfers</i>
\$ 21,833	\$ 32,255	\$ -	\$ -	\$ -
5,150	20,546	-	-	-
11,047	46,539	-	-	-
-	-	-	-	-
500	1,542	-	-	-
11,290	-	-	-	-
623,260	4,760	-	140	-
-	-	-	-	-
23,761	-	-	-	-
338	-	-	-	-
<u>697,179</u>	<u>105,642</u>	<u>-</u>	<u>140</u>	<u>-</u>
27,160	-	-	-	-
-	1,439	-	-	-
1,276	1,786	-	99	-
3,310	56	-	595	-
-	-	-	-	-
-	5,235	-	-	-
2,256	3,262	-	-	-
6,930	1,064	-	8,538	-
5,719	1,343	-	2,288	-
9,623	21,354	-	1,285	-
-	-	-	-	-
52,939	834	-	34,424	-
370,211	109,097	-	73,607	-
27,140	48,171	14,238	17,743	-
96,252	128,869	-	410	-
-	-	-	-	-
-	-	-	-	-
<u>602,816</u>	<u>322,510</u>	<u>14,238</u>	<u>138,989</u>	<u>-</u>
-	-	-	-	267,737
-	-	-	-	2,033,925
<u>\$ 1,299,995</u>	<u>\$ 428,152</u>	<u>\$ 14,238</u>	<u>\$ 139,129</u>	<u>\$ 2,301,662</u>

**CRESWELL SCHOOL DISTRICT**  
**EXPENDITURE SUMMARY – SPECIAL REVENUE FUND**  
**YEAR ENDED JUNE 30, 2018**

<i>Code</i>	<i>Function</i>	<i>Total</i>	<i>100 Salaries</i>	<i>200 Employee Benefits</i>
<b>INSTRUCTION</b>				
1100	Regular programs			
1111	Primary, K-5 or K-6	\$ 1,626	\$ -	\$ -
1113	Elementary extracurricular	23,530	-	-
1122	Middle/junior high school extracurricular	114,517	24,675	8,001
1131	High school programs	102,319	54,181	28,392
1132	High school extracurricular	292,403	96,045	21,791
1140	Pre-kindergarten programs	47,377	25,272	8,247
1200	Special programs			
1250	Less restrictive programs for students with disabilities	243,169	146,174	87,489
1270	Educationally disadvantaged			
1272	Title IA/D	209,812	126,037	82,200
1290	Designated programs			
1291	English language learner	69,231	37,554	27,107
1000	<i>Total Instruction</i>	1,103,984	509,938	263,227
<b>SUPPORT SERVICES</b>				
2100	Students			
2110	Attendance and social work services	7,215	3,979	1,109
2130	Health services	6,780	2,018	762
2200	Instructional staff			
2210	Improvement of instruction services	70,112	12,852	7,389
2240	Instructional staff development	44,063	9,849	3,247
2400	School administration	25,317	16,123	9,194
2500	Business			
2550	Student transportation services	205,090	-	-
2600	Central activities			
2640	Staff services	1,364	-	-
2000	<i>Total Support Services</i>	359,941	44,821	21,701
<b>ENTERPRISE AND COMMUNITY SERVICES</b>				
3100	Food services	475,080	140,951	102,494
3300	Community services	23,150	3,358	1,664
3000	<i>Total Enterprise and Community Services</i>	498,230	144,309	104,158
<b>OTHER USES</b>				
5100	Debt service	1,096	-	-
7000	<b>FUND BALANCE, End of year</b>	1,120,406	-	-
	<i>Total Expenditures and Ending Balance</i>	\$ 3,083,657	\$ 699,068	\$ 389,086

<i>300 Purchased Services</i>	<i>400 Supplies &amp; Materials</i>	<i>500 Capital Outlay</i>	<i>600 Other Objects</i>	<i>700 Transfers</i>
\$ -	\$ 1,626	\$ -	\$ -	\$ -
3,965	19,565	-	-	-
58,963	22,878	-	-	-
1,200	18,546	-	-	-
82,713	75,943	-	15,911	-
12,832	1,026	-	-	-
8,294	1,212	-	-	-
1,575	-	-	-	-
-	4,570	-	-	-
169,542	145,366	-	15,911	-
-	2,127	-	-	-
4,000	-	-	-	-
499	49,372	-	-	-
21,003	9,964	-	-	-
-	-	-	-	-
-	49,284	18,588	137,218	-
1,364	-	-	-	-
26,866	110,747	18,588	137,218	-
6,831	224,084	-	720	-
18,128	-	-	-	-
24,959	224,084	-	720	-
-	-	-	1,096	-
-	-	-	-	1,120,406
<u>\$ 221,367</u>	<u>\$ 480,197</u>	<u>\$ 18,588</u>	<u>\$ 154,945</u>	<u>\$ 1,120,406</u>



**CRESWELL SCHOOL DISTRICT**  
**EXPENDITURE SUMMARY – DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2018**

<i>Code</i>	<i>Function</i>	<i>Total</i>	<i>100 Salaries</i>	<i>200 Employee Benefits</i>
	<b>OTHER USES</b>			
5100	Debt service	\$ 2,091,516	\$ -	\$ -
7000	<b>FUND BALANCE, End of year</b>	219,228	-	-
	<i>Total Expenditures and Ending Balance</i>	<u>\$ 2,310,744</u>	<u>\$ -</u>	<u>\$ -</u>

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<i>300 Purchased Services</i>	<i>400 Supplies &amp; Materials</i>	<i>500 Capital Outlay</i>	<i>600 Other Objects</i>	<i>700 Transfers</i>
\$ -	\$ -	\$ -	\$ 2,091,516	\$ -
-	-	-	-	219,228
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,091,516</u>	<u>\$ 219,228</u>

**CRESWELL SCHOOL DISTRICT**

**SCHEDULE OF SUPPLEMENTAL INFORMATION AS REQUIRED BY OREGON DEPARTMENT OF EDUCATION**

**YEAR ENDED JUNE 30, 2018**

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**A. Energy Bill for Heating - All Funds:**  
 Please enter your expenditures for electricity heating fuel, and water & sewage for these Functions & Objects.

	Objects 325, 326 & 327
Function 2540	\$ 243,410
Function 2550	\$ -

**B. Replacement of Equipment – General Fund:**  
 Include all General Fund expenditures in object 542, except for the following exclusions:

\$	-
----	---

- |  |                           |
|--|---------------------------|
| Exclude these functions:                   | Exclude these functions:  |
| 1113, 1122 & 1132 Co-curricular Activities | 4150 Construction         |
| 1140 Pre-Kindergarten                      | 2550 Pupil Transportation |
| 1300 Continuing Education                  | 3100 Food Service         |
| 1400 Summer School                         | 3300 Community Services   |

***COMPLIANCE SECTION***



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS***

School Board  
Creswell School District  
998 West A Street  
Creswell, Oregon 97426

We have audited, 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 General of the United States, the basic financial statements of Creswell School District, Lane County, Oregon (the District) as of and for the year ended June 30, 2018, and have issued our report thereon dated February 5, 2019.

#### ***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 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 except for expenditures in excess of appropriations as indicated in the notes to the financial statements.

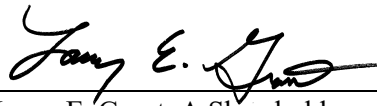
***Internal Control***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

***Restriction on Use***

This report is intended solely for the information and use of the school board and management of the Creswell School District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

*GROVE, MUELLER & SWANK, P.C.*  
*CERTIFIED PUBLIC ACCOUNTANTS*

By:   
Larry E. Grant, A Shareholder  
February 5, 2019

**CRESWELL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

<i>Federal Grantor/Pass Through Grantor/ Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass Through Entity Identifying Number</i>	<i>Total Federal Expenditures</i>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Passed through Oregon Department of Education</b>			
Title I Grants to Local Education Agencies	84.010	41033	\$ 21,331
Title I Grants to Local Education Agencies	84.010	45570	<u>195,450</u>
<i>Subtotal Title I Grants to Local Education Agencies</i>			216,781
Special Education - Grants to States			
IDEA, Part B	84.027	41488	42,932
IDEA, Part B	84.027	45154	198,505
Extended assessment	84.027	45032	549
SPR&I	84.027	44358	<u>2,363</u>
<i>Subtotal Special Education - Grants to States</i>			244,349
Special Education - Preschool Grants			
IDEA, Part B, Section 619	84.173	45362	<u>566</u>
<i>Subtotal Special Education Cluster (IDEA)</i>			244,915
Supporting Effective Instruction State Grants	84.367	41288	19,866
Supporting Effective Instruction State Grants	84.367	45784	<u>28,877</u>
<i>Subtotal Supporting Effective Instruction State Grants</i>			48,743
<b>Passed through Lane County Education Service District</b>			
Career and Technical Education	84.048	N/A	6,738
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	N/A	<u>35,506</u>
<b>Total U.S. Department of Education</b>			552,683
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
<b>Passed through United Way of Lane County</b>			
Social Innovation Fund	94.019	N/A	<u>47,377</u>
<b>Total Corporation for National and Community Service</b>			47,377
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed through Oregon Department of Education</b>			
National School Lunch - Breakfast	10.553	N/A	89,130
National School Lunch - Lunch	10.555	N/A	217,500
National School Lunch - non cash commodities	10.555	N/A	<u>35,302</u>
<i>Subtotal Child Nutrition Cluster</i>			341,932
<b>Passed through Lane County Education Service District</b>			
Schools and Roads - Grants to States	10.665	N/A	<u>55,328</u>
<i>Subtotal Forest Service Schools and Roads Cluster</i>			55,328
<b>Total U.S. Department of Agriculture</b>			397,260
<b>Total Expenditures of Federal Awards</b>			<u>\$ 997,320</u>
<b>RECONCILIATION TO FEDERAL REVENUE RECOGNIZED</b>			
Expenditures of Federal Awards reported on the SEFA			\$ 997,320
Federal interest subsidy not required to be included on the SEFA			<u>15,504</u>
<b>TOTAL FEDERAL REVENUE RECOGNIZED</b>			<u>\$ 1,012,824</u>

See notes to schedule of expenditures of federal awards.

## ***CRESWELL SCHOOL DISTRICT***

### ***NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

***YEAR ENDED JUNE 30, 2018***

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#### ***Purpose of the Schedule***

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. 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 to and does not present the financial position, changes in net assets, or cash flows of the District.

#### ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

##### ***Basis of Presentation***

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, where applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

##### ***Indirect Cost Rate***

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

##### ***Federal Financial Assistance***

Pursuant to Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

##### ***Major Programs***

Uniform Guidance establishes criteria to be used in defining major federal financial assistance programs. Major programs for the District are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

##### ***Reporting Entity***

The reporting entity is fully described in notes to the financial statements. The Schedule includes all federal programs administered by the District for the year ended June 30, 2018.

##### ***Revenue and Expenditure Recognition***

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded when measurable and available. Expenditures are recorded when the liability is incurred. Donated commodities are valued at their estimated fair value.





## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
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### ***INDEPENDENT AUDITOR'S 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***

School Board  
Creswell School District  
998 West A Street  
Creswell, Oregon 97426

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, each major fund, and the aggregate remaining fund information of the Creswell School District, Lane County, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 5, 2019.

#### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 of 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 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.

  
CERTIFIED PUBLIC ACCOUNTANTS

February 5, 2019



**GROVE, MUELLER & SWANK, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE  
UNIFORM GUIDANCE***

School Board  
Creswell School District  
998 West A Street  
Creswell, Oregon 97426

***Report on Compliance for Each Major Federal Program***

We have audited Creswell School District's compliance with the types of compliance requirements described in the *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, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 U.S. 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 for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Creswell School 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, 2018.

### ***Report on Internal Control over Compliance***

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies. 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.

### ***Purpose of this Report***

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.

  
CERTIFIED PUBLIC ACCOUNTANTS

February 5, 2019

**CRESWELL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2018**

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**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, and 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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**FINANCIAL STATEMENT FINDINGS**

None.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**CRESWELL SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2018**

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**PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

None.

**PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.