

MOLALLA RIVER SCHOOL DISTRICT NO. 35
CLACKAMAS COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018



12700 SW 72nd Ave.
Tigard, OR 97223

MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

2017-2018 FINANCIAL REPORT

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

2017-2018 FINANCIAL REPORT

BOARD OF DIRECTORS

TERM EXPIRES

Calvin Nunn, Chair	June 30, 2021
Mark Lucht, Vice-Chair	June 30, 2021
Linda Eskridge	June 30, 2019
Neal Lucht	June 30, 2019
Craig Loughridge	June 30, 2021
Jennifer Satter	June 30, 2021
Ralph Gierke	June 30, 2019

All board members receive mail at the District Office address below.

ADMINISTRATION

Tony Mann – Superintendent
Richard Gill – Business Manager

P.O. Box 188
Molalla, OR 97038-8113

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MOLALLA RIVER SCHOOL DISTRICT 35

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October 29, 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Molalla River School District 35
Clackamas County, Oregon

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Molalla River School District 35 as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the 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 basic 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 the basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these basic 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 Governmental Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic 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 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Molalla River School District 35, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the schedules of funding progress and employer contributions for OPEB for stipends and health insurance, or the schedules of Net Pension Liability or contributions for PERS, or management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. The supplementary information 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 supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

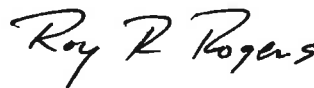
Other Information

The listing of Board Members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 29, 2018, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 29, 2018 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports 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. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.



Roy R. Rogers, CPA
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**MOLALLA RIVER SCHOOL DISTRICT 35, CLACKAMAS COUNTY, OREGON
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The management of the Molalla River School District 35, Clackamas County, Oregon (the District), offers readers this narrative overview and analysis of the financial activities of the Molalla Public Schools for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements and notes of this report, to enhance their understanding of the District's financial activities.

Financial Highlights

- The June 30 2018 net position of Molalla River School District in the government-wide financial statements was \$(2,562,739). The District invested \$10,009,579 in capital assets, net of related debt.
- At June 30, 2018 the District's governmental funds reported combined ending fund balances of \$6,501,218. This represents an increase of \$591,562 from the prior year. A majority of this balance is committed to sustaining school district curriculum and programs.
- At June 30, 2018, the General Fund had an unassigned fund balance of \$3,915,389 or about 15% of general fund expenditures. The increase in fund balance results from the district intentionally managing resources. The district plans to invest in strategic learning instructional practices in 2018 - 2019 which could decrease the general fund balance.
- Reserve funds for self insurance and future debt payments, which consist of a \$42,689 excess of revenue over expenses in the Pension Obligation Bond Fund and \$18,411 net change in fund balance in the Risk Management Fund, increased by \$61,100. Although these funds are technically restricted for specific purposes, the intention of reserves is to help mitigate and protect the general fund from large unanticipated negative cash flows and ultimately the stability of classroom instruction.
- The District's total liabilities increased by \$2,678,760 during the 2017-18 fiscal year. The primary factors were the increase in Net Pension Liability of \$1,722,382 and an increase in current liabilities of \$1,380,634.
- This discussion and analysis is intended to serve as an introduction to the Molalla Public School's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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.

- The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Molalla Public Schools is improving or deteriorating.

- The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. 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 but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). As is typical for a school district, Molalla Public Schools has governmental activities, which include instruction, support services, facilities, food services, community service, and debt service.

The government-wide financial statements can be found on pages 4 and 5 of this report.

Fund Financial Statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of the Molalla Public Schools can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The School Board sets appropriations within every fund each year (for instruction, support services, community services, facilities acquisition and construction, debt service, transfers, contingency, and un-appropriated ending fund balance) that establish the legal limits for expenditures of the District.

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 available resources, as well as on balances of available resources 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Molalla Public Schools reports three major governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Federal Grants Fund and Other Governmental Funds.

Molalla Public Schools adopts an annual appropriated budget for all of its funds as stated above. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on page 6 and 8 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs.

The basic fiduciary fund financial statements can be found on page 13 and 14 of this report.

Notes To Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 - 34 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and supplemental information including the District's bond and bond interest transactions, schedule of bond redemption and interest requirements and schedule of property tax transactions for the General Fund.

Government-Wide Financial Analysis

Net position. As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of Molalla Public Schools, Total Liabilities and deferred Inflows exceeded Total Assets and Deferred Outflows by \$507,327 at the close of the most recent fiscal year.

Net Position at June 30, 2018 compared to June 30, 2017

	2018	2017	Difference
Assets			
Current and other assets	\$ 10,454,527	\$ 8,496,153	\$ 1,958,374
Net capital assets	10,009,579	10,750,302	(740,723)
Total Assets	<u>20,464,106</u>	<u>19,246,455</u>	<u>1,217,651</u>
Pension Related Items			
Total Deferred Outflows	<u>5,098,850</u>	<u>4,707,239</u>	<u>391,611</u>
Current Liabilities	3,883,061	2,502,427	1,380,634
Net Pension Liability	6,075,434	4,353,052	1,722,382
Noncurrent long-term debt	14,293,721	14,809,389	-515,668
Noncurrent OPEB	<u>3,323,247</u>	<u>3,231,835</u>	<u>91,412</u>
Total Liabilities	<u>27,575,463</u>	<u>24,896,703</u>	<u>2,678,760</u>
Pension related items			
Total Deferred Inflows	<u>550,232</u>	<u>229,922</u>	<u>320,310</u>
Net Position			
Invested in capital assets, net of related debt	10,009,579	10,750,302	(740,723)
Restricted	743,707	754,214	(10,507)
Unrestricted	<u>(13,316,025)</u>	<u>(12,677,447)</u>	<u>(638,578)</u>
Total net position	<u>\$ (2,562,739)</u>	<u>\$ (1,172,931)</u>	<u>\$ (1,389,808)</u>

The decrease in net position is primarily associated with the increase in the net pension liability of \$1,722,382.

Capital assets, which consist of the District's land, buildings, building improvements, land improvements, vehicles, and equipment, represent about 49 percent of total assets compared to 56 percent in the prior year. The remaining assets consist mainly of investments, cash, grants, and property taxes receivable.

The District uses these capital assets for classrooms and supporting services for providing K-12 education; consequently, these assets are not available for future spending. Although the District's investment in 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, since the capital assets themselves cannot be used to liquidate these liabilities.

The results of this year's operations for the School District as a whole are reported in the statement of activities:

Change in Net Position for the Fiscal Year Ending June 30 2018

	2018	2017	Increase (Decrease)	%
Revenues				
Function revenues				
Charges for services	\$ 517,372	\$ 503,399	\$ 13,973	2.8
Operating grants and contributions	1,579,213	1,672,316	(93,103)	(5.6)
Total function revenues	2,096,585	2,175,715	(79,130)	(3.6)
General revenues				
Property taxes	7,794,907	7,807,457	(12,550)	(0.2)
State school fund	18,570,806	16,436,801	2,134,005	13.0
Unrestricted local and intermediate	3,049,560	2,770,550	279,010	10.1
Investment earnings	192,712	120,998	71,714	59.3
Loss on disposal of assets	(1,785)	49,931	(51,716)	(103.6)
Total general revenues	29,606,200	27,185,737	2,420,463	8.9
Total revenues	31,702,785	29,361,452	2,341,333	8.0
Expenses				
Instruction	18,490,711	18,418,486	72,225	0.4
Support services	12,256,677	11,964,643	292,034	2.4
Enterprise and community services	883,222	882,583	639	0.1
Facilities acquisition and construction	3,521	7,084		
Interest on long-term debt	1,458,462	1,364,998	93,464	6.8
Total expenses	33,092,593	32,637,794	458,362	1.4
Increase in net position	(1,389,808)	(3,276,342)	n/a	n/a
Net position - beginning	(1,172,931)	2,103,411	n/a	n/a
Net position - ending	<u>\$ (2,562,739)</u>	<u>\$ (1,172,931)</u>	<u>\$ (1,389,808)</u>	<u>118.5</u>

Total revenues increased approximately \$2,341,333 from June 30, 2017 as a result of the increase in the state school fund and unrestricted revenues for 2018-19.

Since the District's mission is to provide a free and appropriate public education for K-12 students within its boundaries, the District may not charge for its academic services. Charges for services stem from activities related to the School Lunch Program and Pay-to-Play fees for athletics. Total fees represented 1.63 percent of total resources.

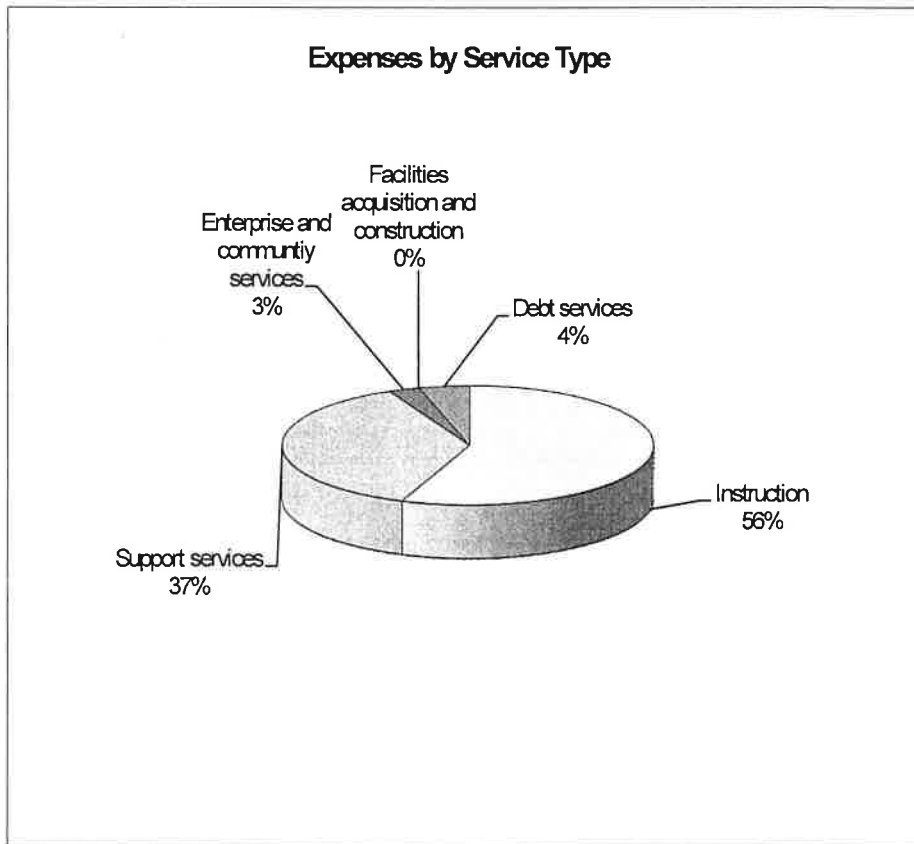
Operating grants are comprised primarily of dollars allocated by the Federal Government and distributed by the State of Oregon. Reimbursements from the Federal School Lunch Program are also included. Federal financial assistance decreased from the prior year by one hundred thousand dollars.

General Revenues account for more than 93 percent of all resources. The State School Support Fund (SSSF) is the largest group of resources. Each Oregon school district receives money from the state based upon an average weighted student membership formula (ADMw). The formula is allocated by multiplying a dollar rate per student established by the legislature every two year period (bi-annum). All General Fund Ad Valorem Taxes, County School Fund, State School Support, Common School Fund, and Federal Forest Fees are included in the SSF formula.

Expenses. Expenses related to governmental activities are presented in five broad functional categories. Costs of direct classroom instruction activities account for 56% of the total expenses of \$33,092,593. In addition, approximately 38% of the costs in support services relate to students, instructional staff and school administration.

Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 18,490,711	\$ 17,494,713
Support services	12,256,677	11,429,032
Enterprise and community services	883,175	610,280
Facilities acquisition and construction	3,521	3,521
Debt services	1,458,462	1,458,462
Total	\$ 33,092,546	\$ 30,996,008



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.

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, *unreserved fund balance* and any unused *budgeted contingencies* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The district did not spend any of the budgeted contingency for the year ended June 30, 2018.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$3,915,389. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund revenue. General Fund balance represents 15 percent of General Fund revenues.

Pension Obligation Bonds fund balance increased by \$42,689 and ended the year at \$1,111,270.

The Capital Project fund balances (Capital Reserve and Capital Constriction Funds) decreased by \$99,242 and ended the year at \$1,001,549.

Fund Budgetary Highlights

Expenditures of all the various funds were within authorized appropriations except as noted on page 20.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$10,009,579 net of accumulated depreciation. This investment in capital assets includes land, buildings, equipment, furniture, vehicles and construction in progress. Capital assets for the prior year amounted to \$10,750,302 and reflect a decrease of \$740,723. This decrease is net of acquisitions and normal depreciation.

Capital Assets (net of depreciation)

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Total Percentage Change</u>
Land	\$ 731,752	\$ 731,752	0.00%
Buildings and improvements	8,403,036	8,878,944	-5.36%
Vehicles and equipment	<u>874,791</u>	<u>1,139,606</u>	-23.24%
Total assets	<u>\$ 10,009,579</u>	<u>\$ 10,750,302</u>	

Long-term debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$14,923,556. \$14,630,425 of this is for Pension bonds issued on October 31, 2002 and April 21, 2003 to pay off the district's portion of the Unfunded Actuarial Liabilities associated with the Oregon Public Retirement System of which Molalla River School District is a member. The District's total long-term debt decreased by \$490,029 during the current fiscal year.

Outstanding Long-Term Debt

	June 30, 2018	June 30, 2017	Total Percentage Change
Bonds payable	\$ 14,630,425	\$ 15,142,458	-3.38%
Capital Leases	63,630	0	
Compensated absences	50,030	57,169	-12.49%
Accrued Discount PERS Bond	179,471	214,058	-16.16%
Total Long-Term Debt	\$ 14,923,556	\$ 15,413,685	

The pension bonds issued in 2002 and 2003 were part of a state-wide effort, to reduce pension debt, sponsored by the Oregon School Boards Association (OSBA). Moody's and Standard & Poor's gave ratings of A1 and AA- respectively to the group pension issue.

Additional information on the District's long-term debt can be found in note 8 on page 24 of this report.

Economic Factors and Next Year's Budgets

- The 2017 legislative Session appropriated \$8.200 billion for the state school fund for the two year period ending June 30, 2019. The district increased operating costs in the 2018-2019 budget by \$900,000 compared to expenditures in 2017-2018. The general fund balance will be reduced by approximately three hundred thousand in 2018-2019.
- District licensed employees are represented by the Molalla River Education Association (MREA), affiliated with the Oregon Education Association (OEA) and the National Education Association and have an agreement with the District through June 2018.
- District classified employees are represented by the Oregon School Employees Association (OSEA) and have an agreement with the District through June 2018.
- Student membership is expected to increase slowly over the next several years. The district receives approximately \$7,772 per student from the State School Support Fund. Any loss in student membership creates a financial burden upon the district.
- The School Board has a policy that targets an ending fund cash balance goal of at least 8 percent of total adopted revenues. It is projected that a surplus of this size will be attainable during both years of the bi-annum and the School Board continues to discuss fund balance amounts appropriate for future budgets.

Requests for Information

This financial report is designed to provide a general overview of the Molalla Public Schools' finances for all those with an interest in the school district's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the District Office, Molalla River School District, P.O. Box 188, Molalla, OR, 97038-8113.

Respectfully submitted,


 Tony Mann, Superintendent


 Richard Gill, Business Manager

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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MOLALLA RIVER SCHOOL DISTRICT 35

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 8,760,905
Receivables:	
Accounts	924,886
Property taxes	506,542
Other assets	232,241
Prepaid expenses	12,721
Other Post Employment Benefits (OPEB) - Early Retirement Stipend Prepaids	17,232
Capital assets, net of depreciation:	
Land	731,752
Buildings, vehicles and equipment	9,277,827
	<u>20,464,106</u>
Total assets	<u>20,464,106</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferrals - PERS	5,098,850
	<u>5,098,850</u>
Total Assets and Deferred Outflows	<u>25,562,956</u>
LIABILITIES	
Current liabilities:	
Accounts payable	586,997
Payroll deductions and withholdings	1,121,043
Due to fiduciary funds	548,126
Other liabilities	997,060
Long-term debt due within one year	629,744
Noncurrent liabilities:	
Long-term debt due in more than one year	14,293,812
Net Pension Liability - PERS	6,075,434
Other Post Employment Benefits (OPEB) - Early Retirement Stipend	142,741
Other Post Employment Benefits (OPEB) - Implicit Medical Benefit	3,180,506
	<u>27,575,463</u>
Total liabilities	<u>27,575,463</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferrals - PERS	550,232
	<u>550,232</u>
Total Liabilities and Deferred Inflows	<u>28,125,695</u>
NET POSITION	
Net investment in capital assets	10,009,579
Restricted for:	
Grants	117,358
Capital projects	626,349
Unrestricted	(13,316,025)
	<u>(13,316,025)</u>
Total net position	<u>\$ (2,562,739)</u>

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

Year Ended June 30, 2018

FUNCTIONS	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
				Governmental Activities
Governmental activities:				
Instruction	\$ 18,490,711	\$ 91,438	\$ 904,560	\$ (17,494,713)
Support services	12,256,677	195,482	632,163	(11,429,032)
Enterprise and community services	883,222	230,452	42,490	(610,280)
Facilities acquisition and construction	3,521	-	-	(3,521)
Interest on long-term debt	1,458,462	-	-	(1,458,462)
Total governmental activities	<u>\$ 33,092,593</u>	<u>\$ 517,372</u>	<u>\$ 1,579,213</u>	<u>(30,996,008)</u>
General revenues:				
Property taxes				7,971,335
Construction excise tax				185,426
State revenue sharing				18,570,806
Unrestricted local				2,285,631
Unrestricted intermediate sources				402,075
Earnings on investments				192,712
Gain / (Loss) on disposal of assets				(1,785)
Total general revenues				<u>29,606,200</u>
CHANGE IN NET POSITION				(1,389,808)
Net position - July 1, 2017				<u>(1,172,931)</u>
Net position - June 30, 2018				<u>\$ (2,562,739)</u>

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2018

	GENERAL	FEDERAL GRANTS	OTHER GOVERNMENTAL	TOTAL
ASSETS				
Cash and investments	\$ 7,746,397	\$ -	\$ 1,014,508	\$ 8,760,905
Accounts receivable	374,789	253,738	296,359	924,886
Taxes receivable	506,542	-	-	506,542
Due from other governmental funds	39,894	-	2,445,260	2,485,154
Interest receivable	9,286	-	-	9,286
Prepaid expenses	3,283	-	9,438	12,721
Total assets	\$ 8,680,191	\$ 253,738	\$ 3,765,565	\$ 12,699,494
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Due to other governmental funds	\$ 2,623,863	\$ 252,922	\$ 156,495	\$ 3,033,280
Due to non-governmental funds	-	-	-	-
Accounts payable	519,852	306	66,839	586,997
Payroll deductions and withholdings	1,121,043	-	-	1,121,043
Other short term liabilities	-	510	996,550	997,060
Unearned revenues	-	-	-	-
Total liabilities	4,264,758	253,738	1,219,884	5,738,380
Deferred inflows of resources:				
Unavailable revenue-property taxes	459,896	-	-	459,896
Fund balances:				
Nonspendable	3,283	-	9,438	12,721
Restricted for				
Grants	-	-	117,358	117,358
Capital projects	-	-	626,349	626,349
Debt Service	-	-	1,111,270	1,111,270
Committed	-	-	675,162	675,162
Assigned	36,865	-	15,542	52,407
Unassigned	3,915,389	-	(9,438)	3,905,951
Total fund balances	3,955,537	-	2,545,681	6,501,218
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,680,191	\$ 253,738	\$ 3,765,565	\$ 12,699,494

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION

June 30, 2018

TOTAL FUND BALANCES		\$ 6,501,218
<p>The net pension asset (liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.</p>		
		(6,075,434)
<p>Deferred inflows and outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to</p>		
Deferred Outflows - PERS		5,098,850
Deferred Inflows - PERS		(550,232)
<p>Capital assets are not financial resources and therefore are not reported in the governmental funds:</p>		
Cost	39,583,503	
Accumulated depreciation	<u>(29,573,924)</u>	10,009,579
<p>The assets and liabilities of the Internal service fund are included in government activities in the Statement of Net Position</p>		
		222,955
<p>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.</p>		
Property tax unearned		459,896
<p>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. These liabilities consist of:</p>		
Accrued compensated absences	(50,030)	
Bonds payable	(14,630,425)	
Accrued discount on bonds payable	(179,471)	
Capital Leases	(63,630)	
OPEB Liability - Early retirement stipend	(142,741)	
OPEB Asset - Early retirement stipend prepaid	17,232	
OPEB Liability - Implicit Medical Benefit	<u>(3,180,506)</u>	<u>(18,229,571)</u>
TOTAL NET POSITION		<u>\$ (2,562,739)</u>

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Year Ended June 30, 2018

	GENERAL	FEDERAL GRANTS	OTHER GOVERNMENTAL	TOTAL
REVENUES				
Local sources	\$ 8,261,222	\$ -	\$ 2,913,250	\$ 11,174,472
Intermediate sources	397,922	-	4,153	402,075
State sources	18,412,705	-	158,101	18,570,806
Federal sources	41,756	998,015	517,868	1,557,639
Total revenues	27,113,605	998,015	3,593,372	31,704,992
EXPENDITURES				
Instruction	15,477,875	626,166	641,407	16,745,448
Support services	10,628,145	358,453	316,807	11,303,405
Community service & enterprise	-	13,396	773,181	786,577
Facilities acquisition and construction	-	-	290,305	290,305
Capital outlay	-	-	-	-
Debt service	-	-	1,970,495	1,970,495
Total expenditures	26,106,020	998,015	3,992,195	31,096,230
Excess of revenues over (under) expenditures	1,007,585	-	(398,823)	608,762
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	32,800	-	-	32,800
Intergovernmental Transits	(50,000)	-	-	(50,000)
Transfer in	236,381	-	260,918	497,299
Transfer out	(454,381)	-	(42,918)	(497,299)
Total other financing sources (uses)	(235,200)	-	218,000	(17,200)
Net change in fund balance	772,385	-	(180,823)	591,562
FUND BALANCE, beginning of year	3,183,152	-	2,726,504	5,909,656
FUND BALANCE, end of year	\$ 3,955,537	\$ -	\$ 2,545,681	\$ 6,501,218

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

NET CHANGE IN FUND BALANCE	\$	591,562
Amounts reported for governmental activities in the Statement of Activities are different because:		
The pension expense represents the changes in net pension asset (liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits.		(1,651,081)
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.		
Removal of capital assets (Net)	\$	(34,585)
Expenditures for capital assets		286,784
Less current year depreciation		<u>(992,922)</u>
		(740,723)
Internal service funds are used by the District to charge the costs of Worker' Compensation and Unemployment Compensation to the individual funds. The change in net position of the internal service funds is reported with governmental activities.		18,411
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 proceeds exceeded repayments:		
OPEB Early Retirement Stipend		(44,505)
Capital lease added		(97,700)
OPEB Implicit Medical Benefit		(103,178)
Debt principal repaid		<u>546,103</u>
		300,720
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		34,587
Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes unearned revenue for all property taxes levied but not received, however in the Statement of Activities, there is no unearned revenue and the full property tax receivable is accrued.		49,577
Compensated absences are recognized as expenditures in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expense when earned. (Net)		<u>7,139</u>
CHANGE IN NET POSITION	\$	<u><u>(1,389,808)</u></u>

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

PROPRIETARY FUND
STATEMENT OF NET POSITION
June 30, 2018

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
ASSETS	
Interfund loans receivable	\$ 222,955
LIABILITIES	
Accounts payable	-
NET POSITION	
Total net position	\$ 222,955

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2018

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
REVENUES	
Local sources	\$ 21,469
Transfer in	-
Total revenues	<u>21,469</u>
EXPENSES	
Support services	<u>3,058</u>
Change in net position	18,411
NET POSITION, beginning of year	<u>204,544</u>
NET POSITION, end of year	<u><u>\$ 222,955</u></u>

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
Cash flow from operating activities:	
Receipts from other funds	\$ -
Net cash provided by operating activities	-
Net increase in cash and cash equivalents	-
CASH BALANCE, beginning of year	-
CASH BALANCE, end of year	\$ -

NOTE: For the year ended June 30, 2018, there were no cash revenues or cash expenses associated with the proprietary fund, and thus the statement of cash flows shows no activity.

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 June 30, 2018

	<u>TRUST FUND</u>	<u>AGENCY FUND</u>
	<u>SCHOLARSHIP TRUST FUND</u>	<u>STUDENT ACTIVITY FUND</u>
ASSETS		
Cash and investments	\$ -	\$ 106,826
Due from other governmental funds	325,171	-
Total assets	<u>325,171</u>	<u>106,826</u>
LIABILITIES		
Due to student groups	-	106,826
NET POSITION		
Assets held in trust for scholarships	<u>\$ 325,171</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

FIDUCIARY FUNDS - TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2018

	<u>SCHOLARSHIP TRUST FUND</u>
ADDITIONS	
Contributions	<u>\$ 11,149</u>
Total additions	<u>11,149</u>
DEDUCTIONS	
Scholarships	<u>12,320</u>
Total deductions	<u>12,320</u>
Changes in net position	(1,171)
NET POSITION, beginning	<u>326,342</u>
NET POSITION, ending	<u><u>\$ 325,171</u></u>

See accompanying notes to basic financial statements.

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

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MOLALLA RIVER SCHOOL DISTRICT 35
NOTES TO BASIC FINANCIAL STATEMENTS

1. REPORTING ENTITY

The Molalla River School District 35 (the District) was established on July 1, 1993 as the result of the unification of the former Clarkes School District No. 32, Dickey Prairie School District No. 25, Maple Grove School District No. 87, Molalla Elementary School District No. 35, Mulino School District No. 84, Rural Dell School District No. 92 and Schuebel School District No. 80 merged into Molalla Union High School District No. 4 to form the present District. The District assumed all assets and liabilities of the elementary districts, except for bonded debt.

The District is governed by an elected board, and is a special-purpose primary government exercising financial accountability for all public education within its boundaries. As required by accounting principles generally accepted in the United States of America, all significant activities and organizations have been included in the basic financial statements. Component units, as established by GASB Statement 61, are separate organizations that would be included in the District's reporting because of the significance of their operational or financial relationships with the District. Based on these criteria, there are no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the governmental and proprietary financial activities, excluding the fiduciary activities. 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, materials, supplies or services provided, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

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

Net position is reported as restricted when constraints placed on net position 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 funds including those of a fiduciary nature. Separate statements for each fund category – governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

There are the following major governmental funds:

General Fund - This is the primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund.

Federal Grants Fund – The Grants Fund includes Title I, IDEA, and other federally financed special project funds. The principal sources of revenue are grants from governmental agencies. The primary uses of revenue are salaries and supplies specifically requested with application for grant.

There is the following proprietary fund:

Internal Service Fund – This fund's purpose is to account for costs and claims related to risk management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SPECIAL REVENUE FUNDS ROLLED INTO THE GENERAL FUND FOR GASB 54 PURPOSES

As discussed at Note 2 (Fund Balance), financial statements for periods beginning after June 15, 2010 must report as Special Revenue funds only those which have a substantial portion of revenue inflows from restricted or committed revenue sources. The MHS Land Lab fund is combined into the General fund because the primary revenue source is transfers from the General fund or there is not revenue to report.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the business-type fund and fiduciary fund financial statements. 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 are recognized in the fiscal year in which all eligibility 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 restricted and unrestricted net positions available to finance the program. It is policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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, and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

CASH AND INVESTMENTS

Investments in the State of Oregon Local Government Investment Pool, savings deposits, demand deposits and cash with the county treasurer are considered to be cash equivalents. Investments that have a remaining maturity at the time of purchase of one year or less are stated at amortized cost. All other investments are stated at fair value or estimated fair value.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAXES RECEIVABLE

Property taxes are levied and become a lien as of July 1st on personal and real property values assessed as of the same date. Collection dates are November 15th, February 15th and May 15th following the lien date. Discounts are allowed if the amount due is received by November 15th or February 15th. Taxes unpaid and outstanding on May 16th are considered delinquent. All property taxes receivable are due from property owners within the District.

Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore no allowance for uncollectible taxes has been established. Property taxes collected within approximately sixty days of fiscal year-end are recognized as revenue.

The remaining balance of taxes receivable is recorded as a deferred inflow of resources because it is not deemed available to finance operations of the current period.

GRANTS

Unreimbursed grant expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Cash and donated commodities received from grantor agencies in excess of related grant expenditures are recorded as unearned revenue on the combined balance sheet.

SUPPLIES INVENTORY

Supplies inventory is valued at cost using first-in, first-out (FIFO) method. Accounting for supplies inventory is based on the consumption method for the government-wide financial statements. Under the consumption method inventory is recorded when purchased and expenditures/expenses are recorded when inventory items are used. Donated commodities consumed during the year are reported as revenues and expenditures. The amount of unused supplies inventory and donated commodities at balance sheet date is considered immaterial by management for reporting purposes.

CAPITAL ASSETS

Capital assets are stated at cost or estimated historical cost. Donated assets are stated at their estimated fair market value on the date donated. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Interest incurred during construction is not capitalized. Maintenance and repairs of a routine nature are charged to expenditures as incurred and not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 to 50 years
Vehicles and equipment	5 to 30 years

LONG-TERM DEBT

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

In the fund financial statements bond premiums and discounts 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the basic financial statements 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 that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2018 there were deferred outflows of \$5,098,850 representing pension related deferrals reported in the Statement of Net Position.

In addition to liabilities, the basic financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position 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 two types of items, which qualify for reporting in this category. Unavailable revenue of \$459,896 is in the governmental funds balance sheet for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other type of item arises under full accrual accounting in the Statement of Net Position. At June 30, 2018 there were deferred inflows of \$550,232 representing pension related deferrals.

FUND BALANCE

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Authority to classify portions of ending fund balance as Assigned is granted to the Superintendent and the Business Manager.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE (CONTINUED)

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

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.

POST EMPLOYMENT HEALTH BENEFITS

Retirees electing to take part in any of the retirement programs will be allowed to continue the group medical, dental and/or vision insurance coverage at their own expense, subject to the terms and conditions of the OEGB or its successor. Insurance premiums may be deducted from the retiree's monthly stipend upon authorization of the retiree. The District is not paying any retirees group medical and dental insurance premiums.

ACCRUED SALARIES AND BENEFITS

Accrued salaries and benefits for vacation pay are calculated at fiscal year-end and adjusted to current salary costs including payroll related benefits. 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. Sick pay does not vest and is forfeited at resignation, retirement or death and is, therefore recorded as an expenditure when taken and no accrued liability is recorded.

APPROPRIATIONS AND BUDGETARY CONTROLS

A budget is prepared for each fund, except the Agency Fund, in accordance with the modified accrual basis of accounting and legal requirements set forth in Oregon Local Budget Law. The budgetary basis of accounting is substantially the same as generally accepted accounting principles in the United States of America with the following features:

- Capital outlay expenditures are expensed when purchased and depreciation is not calculated,
- Inventories of supplies are budgeted as expenditures when purchased or constructed,
- Compensated absences are expensed when paid rather than when accrued
- Interest is expensed when paid rather than when incurred
- Debt principal is recorded as an expense when paid instead of a liability reduction
- Debt issuance costs are expensed when paid rather than amortized
- OPEB benefits are expensed when paid rather than when incurred
- Property taxes are recorded as revenue when received rather than when levied
- Pension costs are not recorded as an expense until paid

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

APPROPRIATIONS AND BUDGETARY CONTROLS (CONTINUED)

Consistent with Oregon law, expenditures are appropriated for each legally adopted annual operating budget at the following levels of control:

- Instruction
- Support Services
- Enterprise and Community Services
- Facilities Acquisition and Construction
- Other Uses (Interagency/Fund Transactions and Debt Service)
- Contingency
- Unappropriated Ending Fund Balance

Budgetary appropriations may not be legally over-expended except in the case of reimbursable grant expenditures and trust monies, which could not be reasonably estimated at the time the budget was adopted. After the original budget is adopted, the Board of Directors may approve appropriation transfers between levels of control. There were three amended appropriations adopted by the board during the year under audit. After budget approval, the Board of Directors may approve supplemental appropriations if any occurrence, condition or need exists which had not been anticipated at the time the budget was adopted. Expenditures of all the various funds were within authorized appropriation, except in the Federal Grants Fund, where community service was over-expended by \$12,551, the MHS Athletic Fund, where instruction was over-expended by \$29,459, and in the State Funded Grants Fund, where capital outlay was over-expended by \$197.

FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

MOLALLA RIVER SCHOOL DISTRICT 35
NOTES TO BASIC FINANCIAL STATEMENTS

3. CASH AND INVESTMENTS

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

Cash in Bank	\$ 585,285	Reported In:	
Investments	<u>8,282,446</u>	Governmental Funds	\$ 8,760,905
		Fiduciary Funds	<u>106,826</u>
	<u>\$ 8,867,731</u>		<u>\$ 8,867,731</u>

There were the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-18	18-59
State Treasurer's Investment Pool	\$ 8,282,446	\$ 8,282,446	\$ -	\$ -
Total	<u>\$ 8,282,446</u>	<u>\$ 8,282,446</u>	<u>\$ -</u>	<u>\$ -</u>

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements is \$801,397, of which \$353,067 was covered by federal depository insurance and the remainder was collateralized by the Oregon Public Funds Collateralization Program (PFCP).

INVESTMENTS

Statutes authorize investing in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Fitch Ratings and Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record (A-2/P-2 if Oregon Commercial paper) and the state treasurer's investment pool.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

3. CASH AND INVESTMENTS (CONTINUED)

INTEREST RATE RISK - INVESTMENTS

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There were no investments that had a maturity date beyond three months.

CUSTODIAL CREDIT RISK – DEPOSITS

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a deposit policy for custodial credit risk.

CREDIT RISK - INVESTMENTS

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

CONCENTRATION OF CREDIT RISK

At June 30, 2018, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

4. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables are comprised primarily of claims for reimbursement of costs under various federal, state and local grant programs and various billings for services rendered. Property taxes are levied and become a lien on all taxable property as of July 1. Taxes unpaid and outstanding on May 16 are considered delinquent. No allowance for uncollectible accounts has been recorded because management believes all receivables are collectible.

5. DUE TO/DUE FROM OTHER FUNDS

The internal transfers are budgeted and recorded to show legal and operational commitments between funds such as cost sharing.

The composition of interfund balances is as follows:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$ 39,894	\$ 2,623,863
Federal Grants Fund	-	252,922
Other Governmental	2,445,260	156,495
Internal Service Fund	222,955	-
Fiduciary Fund	325,171	-
Totals	<u>\$ 3,033,280</u>	<u>\$ 3,033,280</u>

MOLALLA RIVER SCHOOL DISTRICT 35
 NOTES TO BASIC FINANCIAL STATEMENTS

6. TRANSFERS IN/OUT

Operating transfers between funds were made to fund the various programs and activities as follows:

	Transfers Out	Transfers In
General Fund	\$ 454,381	236,381
Other Governmental	42,918	260,918
Totals	<u>\$ 497,299</u>	<u>\$ 497,299</u>

7. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 731,752	\$ -	\$ -	\$ 731,752
Total capital assets not being depreciated	<u>731,752</u>	<u>-</u>	<u>-</u>	<u>731,752</u>
Capital assets being depreciated				
Buildings & improvements	36,168,310	230,784	-	36,399,094
Vehicles and equipment	2,436,691	56,000	(40,034)	2,452,657
Total capital assets being depreciated	<u>38,605,001</u>	<u>286,784</u>	<u>(40,034)</u>	<u>38,851,751</u>
Less accumulated depreciation for:				
Buildings & improvements	27,289,366	706,692	-	27,996,058
Vehicles and equipment	1,297,085	286,230	(5,449)	1,577,866
Total accumulated depreciation	<u>28,586,451</u>	<u>992,922</u>	<u>(5,449)</u>	<u>29,573,924</u>
Total capital assets being depreciated, net	<u>10,018,550</u>			<u>9,277,827</u>
Total capital assets, net	<u>\$ 10,750,302</u>			<u>\$ 10,009,579</u>

A vehicle with remaining book value of \$34,585 was sold for \$32,800, resulting in a loss on disposal of \$1,785.

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

Program	
Instruction	\$ 744,692
Support services	198,584
Enterprise and community services	<u>49,646</u>
Total	<u>\$ 992,922</u>

MOLALLA RIVER SCHOOL DISTRICT 35
 NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM DEBT

Payment of principal and interest on the general obligation bonds are payable from the Debt Service Fund. The District is in compliance for continuing disclosure on all long-term bonds.

	BALANCE JULY 1, 2017	Additions	Reductions	BALANCE JUNE 30, 2018	Due Within One Year
Bonds Payable	\$ 15,142,458	\$ -	\$ 512,033	\$ 14,630,425	\$ 512,730
Capital Leases	-	97,700	34,070	63,630	31,086
Compensated Absences	57,169	50,030	57,169	50,030	50,030
	15,199,627	147,730	603,272	14,744,085	593,846
Accrued Discount on PERS Bond	214,058	-	34,587	179,471	35,898
Total Long-term Liabilities	\$ 15,413,685	\$ 147,730	\$ 637,859	\$ 14,923,556	\$ 629,744

Principal and Interest Payment Streams for Bonds Payable:

Fiscal Year Ending June 30,	Bond Principal	Bond Interest	Total
2019	\$ 512,730	1,571,321	\$ 2,084,051
2020	511,592	1,655,956	2,167,548
2021	601,509	1,384,292	1,985,801
2022	979,742	1,427,684	2,407,426
2023	1,059,852	1,461,680	2,521,532
2024-2028	10,965,000	1,802,105	12,767,105
	\$ 14,630,425	\$ 9,303,038	\$ 23,933,463

Principal and Interest Payment Streams for Capital Leases:

Fiscal Year Ending June 30,	Capital Lease Principal	Capital Lease Interest	Total
2019	\$ 31,086	2,984	\$ 34,070
2020	32,544	1,526	34,070
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	-	-	-
	\$ 63,630	\$ 4,510	\$ 68,140

The following pension obligations were outstanding at June 30, 2018:

Issue Date	Original Issue	Interest Coupon Rates	Final Maturity Date	Principal Balance Remaining
October 31, 2002	\$ 8,635,318	2.06-6.10	6-30-28	\$ 6,490,669
April 21, 2003	12,181,530	1.50-6.27	6-30-28	8,139,756
Total Outstanding:				\$ 14,630,425

9. OPERATING LEASES

There is one operating lease for copiers, with a monthly payment of \$5,720. The operating lease obligation paid for the year ended June 30, 2018, was approximately \$68,638. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018-19	\$ 62,918
Total	<u>\$ 62,918</u>

10. DEFINED BENEFIT PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer 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/Documents/Financials/CAFR/2017-CAFR.pdf>

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i. **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 1 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 2 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.
- ii. **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 one 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.
- iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- iv. **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.
- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **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.
- ii. **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.
- iii. **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.
- iv. **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 district along with other Oregon governmental entities have issued pensions bonds and the proceeds were used to make unfunded actuarial liability payments. These funds are in a set aside account and are invested in the same manner as other Oregon PERS funds. The set aside account for the district is amortized in a manner to offset the required pension contribution for its employees. For the year ending June 30, 2018, the credits from the side account totaled \$1,293,485 and satisfied in full the employer required contributions.

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Asset or Liability – At June 30, 2018, the District reported a net pension liability of \$6,075,434 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. 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. As of the measurement date of June 30, 2017, the District's proportion was .045 percent. Pension expense for the year ended June 30, 2018 was \$1,651,081.

The rates in effect for the year ended June 30, 2018 were:

- (1) Tier 1/Tier 2 – 0.04%
- (2) OPSRP general services – 0.52%
- (3) PERS UAL Contribution – 27.16%

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 293,811	\$ -
Changes in assumptions	1,107,443	-
Net difference between projected and actual earnings on pension plan investments	62,591	-
Net changes in proportionate share	2,286,626	
Differences between District contributions and proportionate share of contributions		(550,232)
Subtotal - Amortized deferrals (below)	<u>3,750,471</u>	<u>(550,232)</u>
District contributions subsequent to measurement date	1,348,379	-
Deferred outflow (inflow) of resources	<u>\$ 5,098,850</u>	<u>\$ (550,232)</u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

Subtotal amounts related to pension as deferred outflows of resources, \$3,750,471, and deferred inflows of resources, (\$550,232), net to \$3,200,239 and will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 764,312
2019	1,257,133
2020	1,004,097
2021	115,848
2022	58,849
Thereafter	-
Total	<u>\$ 3,200,239</u>

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 20, 2018. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>

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 rolled forward to June 30, 2017
Experience Study Report	2014, Published September 23, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.50 percent
Projected salary increase	3.50 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 sex-distinct, generational per scale BB, disabled mortality table.

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 2015 Experience Study which is reviewed for the four-year period ending December 31, 2015.

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumed Asset Allocation

Asset Class/Strategy	Low Range	High Range	OIC 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	14.0%	21.0%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

(Source: June 30, 2017 PERS CAFR; p. 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.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-Driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
<i>Assumed Inflation</i>		<i>2.50%</i>

(Source: June 30, 2017 PERS CAFR; p. 69)

10. DEFINED BENEFIT PENSION PLAN (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.

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.

	1% Decrease (6.50%)	Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$10,353,649	\$ 6,075,434	\$2,498,054

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. 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 OPERS, and is administered by the OPERS Board.

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. 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 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.

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 lump-sum payment.

Contributions:

Employees of the District pay six (6) percent of their covered payroll.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700.

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>

11. OTHER POST EMPLOYMENT BENEFIT PLANS – (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 OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy:

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 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars 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 OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan.

A surviving spouse or dependent of a deceased OPERS 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 OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.50% of annual covered OPERF payroll and 0.43% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the year ended June 30, 2018 were included in the PERS contribution amount of \$1,348,379.

At June 30, 2018, the District's net OPEB liability/(asset) and deferred inflows and outflows were not considered to be material to the basic financial statements by management and were not accrued on the government wide statements.

12. OTHER POST-EMPLOYMENT BENEFITS - (OPEB)

Early Retirement (Stipends)

A single employer, defined benefit early retirement supplement program is maintained. The program covers all teachers hired at the District prior to July 1, 2001. It was established under collective bargaining agreements and contains provisions for early retirement after reaching age 55 or after 30 years of credited service with PERS and at least 10 years of service with the District prior to normal retirement age. This optional early retirement program provides employees with a monthly stipend of \$400 until the teacher reaches age 62 or qualifies for social security benefits, whichever comes first. A teacher may be paid this stipend for a maximum of seven years and the retiree shall be obligated to either five or ten days of service to the District per year. The retirees electing to take part in this program will be allowed to continue in the group medical, dental and/or vision insurance coverage at their own expense. All payments under these programs terminate upon the employee's death. The District maintains single employer post-employment benefit programs (commonly referred to as early retirement). These programs cover licensed and administrative personnel of the District, individual employees, and certain retired employees.

Contributions and Funding Policy – The benefits from this program are fully paid and, consequently, no contributions by employees are required. There is no obligation to fund these benefits in advance. The only obligation is to make current benefit payments due each fiscal year. Consequently, it has not been found necessary to establish a pension trust fund, and payments are made on a pay-as-you-go basis each year out of the General Fund. An estimate of this liability for current retirees is done annually. There is no separately issued financial report for the plan. The annual expenditures recognized on a budgetary basis were approximately \$23,800 and \$35,852 for the years ended June 30, 2018 and 2017, respectively.

Annual OPEB Cost and Total OPEB Liability – The annual other postemployment benefit (OPEB) cost is calculated based on the Total OPEB Liability, an amount actuarially determined in accordance with the parameters of GASB Statement 75. For detailed information and a table showing the components of the District's annual OPEB costs and liabilities, see page 37.

Actuarial Methods and Assumptions - The Total OPEB Liability for the current year was determined as part of the July 1, 2016 actuarial valuation using the entry age normal method. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost and the healthcare cost trend. The actuarial assumptions included; (a) a rate of return on investment of present and future assets of 3% compounded annually; (b) no future increase in benefit payable from this program; (c) a general inflation rate of 2.5% per year, and (d) no post-retirement benefit increases and a payroll increase of 3%. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year. The present value of benefits accrued as of the valuation date is called the accrued liability.

The following table shows sensitivity of the Total OPEB Liability for the Stipend Benefit to changes in discount rates, as determined by the July 1, 2016 actuarial valuation:

	1% Decrease	Current Discount Rate	1% Increase
	<u>2.0%</u>	<u>3.0%</u>	<u>4.0%</u>
Total OPEB Liability	\$ 147,866	\$ 142,741	\$ 137,610

The Actuary reported no deferred outflows or deferred inflows of resources related to OPEB.

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Funding Status and Funding Progress – As of July 1, 2018, the plan was 0% funded. The actuarial accrued liability for benefits was \$142,741, and the actuarial value of assets was \$0. Estimated covered payroll was \$1,886,329. The Actuarially Determined Contribution for June 30, 2018 and 2017 has been actuarially determined to be \$19,544 and \$22,876, respectively, for District contributions.

Program membership consisted of the following as of the July 1, 2016 actuarial valuation date:

Participant Counts:	
Active	253
Inactive	26
	279

Post-Employment Health Insurance Subsidy

Plan Description - A single-employer retiree benefit plan is maintained that provides postemployment health, dental vision and life insurance benefits to eligible employees and their spouses. There are active and retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements.

The post-retirement healthcare plan is established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution.

The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

Funding Policy – The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the District to fund these benefits in advance.

Annual OPEB Cost and Total OPEB Liability – The annual other postemployment benefit (OPEB) cost is calculated based on the Total OPEB Liability, an amount actuarially determined in accordance with the parameters of GASB Statement 75. For detailed information and a table showing the components of the District's annual OPEB costs and liabilities, see page 37A.

Actuarial Methods and Assumptions – The Total OPEB Liability for the current year was determined as part of the July 1, 2016 actuarial valuation using the entry age normal method. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost and the healthcare cost trend. The actuarial assumptions included; (a) a rate of return on investment of present and future assets of 4% compounded annually; (b) no future increase in benefit payable from this program; and (c) no post-retirement benefit increases and a payroll increase of 3%. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following tables show sensitivity of the Total OPEB Liability for the Medical Benefit to changes in discount and trend rates, as determined by the July 1, 2016 actuarial valuation:

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

	1% Decrease	Current Discount Rate	1% Increase
	<u>2.0%</u>	<u>3.0%</u>	<u>4.0%</u>
Total OPEB Liability	\$ 3,450,492	\$ 3,180,506	\$ 2,931,727

	1% Decrease	Current Trend Rate	1% Increase
	5.50% Graded <u>Down to 4.00%</u>	6.50% Graded <u>Down to 5.00%</u>	7.50% Graded <u>Down to 6.00%</u>
Total OPEB Liability	\$ 2,790,525	\$ 3,180,506	\$ 3,646,476

Funding Status and Funding Progress – As of July 1, 2018, the plan was 0% funded. The actuarial accrued liability for benefits was \$3,180,506, and the actuarial value of assets was \$0. Estimated covered payroll was \$12,348,326. The Actuarially Determined Contribution for June 30, 2018 and 2017 has been actuarially determined to be \$182,045, and \$165,332 respectively for District contributions.

Program membership consisted of the following as of the July 1, 2016 actuarial valuation date:

Participant Counts:	
Active	253
Inactive	<u>26</u>
	<u>279</u>

The Actuary reported no deferred outflows or deferred inflows of resources related to OPEB.

13. RISK MANAGEMENT

There is exposure to various risks or losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Commercial insurance is purchased for all claims other than that represented by minimal deductible amounts per loss. Workers' compensation insurance is purchased to manage the risk of loss as the total insurance cost is ultimately in direct proportion to losses. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years and there have been no reductions in insurance coverage from the prior year.

14. PROPERTY TAX LIMITATIONS

The Voters of the State of Oregon imposed a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to \$5 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The State Voters further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction was accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues and requires the State to minimize the impact to school districts from the impact of the tax cuts.

15. COMMITMENTS AND CONTINGENCIES

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

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The federal audits for these programs for the year ended June 30, 2018 have not been conducted. Accordingly, compliance with grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although such amounts are expected by management to be immaterial.

16. DEFERRED COMPENSATION PLAN

Deferred Compensation Plan -A deferred compensation plan is available to employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. The deferred compensation plan is one which is authorized under IRC Section 403(b) and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the District.

17. TAX ABATEMENTS

As of June 30, 2018, the District potentially had tax abatements through various state allowed programs that impacted levied taxes. Based on the information from the county as of the date of issuance of these basic financial statements, there were no material abatements disclosed by the county for the year ended June 30, 2018 for any program covered under GASB 77.

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
 At June 30, 2018

PERS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.045 %	\$ 6,075,434	\$ 11,968,086	50.8 %	83.1 %
2017	0.029	4,353,052	11,243,524	38.7	80.5
2016	0.00	-	10,258,313	-	91.9
2015	0.00	-	10,069,616	-	103.6
2014	0.00	-	9,800,106	-	92.0

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

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

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2018	\$ 1,348,379	\$ 1,348,379	\$ -	\$ 12,221,311	11.0 %
2017	1,213,830	1,213,830	-	11,968,086	10.1
2016	-	-	-	11,243,524	-
2015	-	-	-	10,258,313	-
2014	-	-	-	10,069,616	-

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

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

MOLALLA RIVER SCHOOL DISTRICT 35

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS
June 30, 2018

**PLAN I (STIPENDS):
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS**

Year Ended June 30,	Total OPEB Liability - Beginning	Service Cost	Interest	Changes of Benefit Terms	Changes of Assumptions	Benefit Payments	Total OPEB Liability - End of Year	Estimated Covered Payroll	Total OPEB Liability as a % of Covered Payroll
2018	\$ 154,507	\$ 3,385	\$ 4,393	\$ 0	\$ 0	\$ (19,544)	\$ 142,741	\$ 1,886,329	7.57%
2017	169,214	3,385	4,784	0	0	(22,876)	154,507	1,831,387	8.44%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	(a) Actuarially Determined Contribution	(b) Contributions During Year	(b)-(a) Difference	(c) Covered Payroll	(b/c) Contributions as a Percentage of Payroll
2018	\$ 19,544	\$ 23,800	\$ 4,256	\$ 1,886,329	1%
2017	22,876	35,852	12,976	1,831,387	2%
2016	19,544	78,330	58,766	-	N/A

The above table presents the most recent actuarial valuations for the District's post-retirement pension stipend and it provides information that approximates the funding progress of the plan.

In implementing GASB Statement No. 73 and No. 75, the following changes since the prior valuation were implemented; (i) the actuarial cost method was changed from Projected Unit Credit to Entry Age Normal, (ii) the interest rate for discounting future liabilities was lowered to match municipal bond rates, (iii) premium increase rates were modified to reflect anticipated experience, (iv) the percentage of future retirees covering a spouse on the plan was decreased to reflect the anticipated experience, (v) demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for Oregon PERS, and (vi) an implicit rate subsidy is now being valued for participants in the health plans. In prior valuations, the District's participating in the health plans determined to be a community rated arrangement.

Reconciliation to OPEB-Related Asset on Statement of Net Position:

Contributions above Actuarial Determination by District, 2018	\$ 4,256
Contributions above Actuarial Determination by District, 2017	12,976
OPEB Prepaid Asset - Stipends	<u>\$ 17,232</u>

MOLALLA RIVER SCHOOL DISTRICT 35

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS
June 30, 2018

PLAN II (HEALTH INSURANCE)
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Year Ended June 30,	Total OPEB Liability - Beginning	Service Cost	Interest	Changes of Benefit Terms	Changes of Assumptions	Benefit Payments	Total OPEB Liability - End of Year	Estimated Covered Payroll	Total OPEB Liability as a % of Covered Payroll
2018	\$ 3,077,328	\$ 192,743	\$ 92,480	\$ 0	\$ 0	\$ (182,045)	\$ 3,180,506	\$ 12,348,326	25.76%
2017	2,960,685	192,743	89,232	0	0	(165,332)	3,077,328	11,988,666	25.67%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	(a) Actuarially Determined Contribution	(b) Contributions During Year	(b)-(a) Difference	(c) Covered Payroll	(b/c) Contributions as a Percentage of Payroll
2018	\$ 182,045	N/A	\$ (182,045)	\$ 11,988,666	N/A
2017	165,332	N/A	(165,332)	-	N/A

The above table presents the most recent actuarial valuations for the District's post-retirement health insurance and it provides information that approximates the funding progress of the plan.

In implementing GASB Statement No. 73 and No. 75, the following changes since the prior valuation were implemented; (i) the actual cost method was changed from Projected Unit Credit to Entry Age Normal, (ii) the interest rate for discounting future liabilities was lowered to match municipal bond rates, (iii) premium increase rates were modified to reflect anticipated experience, (iv) the percentage of future retirees covering a spouse on the plan was decreased to reflect the anticipated experience, (v) demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for Oregon PERS, and (vi) an implicit rate subsidy is now being valued for participants in the health plans. In prior valuations, the District's participating in the health plans determined to be a community rated arrangement.

MOLALLA RIVER SCHOOL DISTRICT 35

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET (NON-GAAP BASIS) AND ACTUAL

Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
REVENUES				
Local sources	\$ 8,409,500	\$ 8,409,500	\$ 8,274,519	\$ (134,981)
Intermediate sources	378,000	378,000	397,922	19,922
State sources	17,216,361	17,216,361	18,412,705	1,196,344
Federal sources	45,201	45,201	41,756	(3,445)
Total revenues	<u>26,049,062</u>	<u>26,049,062</u>	<u>27,126,902</u>	<u>1,077,840</u>
EXPENDITURES				
Instruction	15,395,483	15,495,483 (1)	15,271,945	223,538
Support services	10,502,240	10,752,240 (1)	10,579,602	172,638
Contingency	537,965	187,965 (1)	-	187,965
Total expenditures	<u>26,435,688</u>	<u>26,435,688</u>	<u>25,851,547</u>	<u>584,141</u>
Excess of revenues over (under) expenditures	(386,626)	(386,626)	1,275,355	1,661,981
OTHER FINANCING SOURCES (USES)				
Transits	(165,000)	(165,000)	(50,000)	115,000
Transfer out	(459,663)	(459,663) (1)	(454,381)	5,282
Total other financing sources (uses)	<u>(624,663)</u>	<u>(624,663)</u>	<u>(504,381)</u>	<u>120,282</u>
Net change in fund balance	(1,011,289)	(1,011,289)	770,974	1,782,263
FUND BALANCE, beginning of the year	<u>3,488,480</u>	<u>3,488,480</u>	<u>3,147,698</u>	<u>(340,782)</u>
FUND BALANCE, end of the year	<u>\$ 2,477,191</u>	<u>\$ 2,477,191</u>	<u>3,918,672</u>	<u>\$ 1,441,481</u>

(1) Appropriation level

Reconciliation to governmental fund balance as required by GASB #54

Ending fund balance

MHS land lab

36,865
\$ 3,955,537

MOLALLA RIVER SCHOOL DISTRICT 35

FEDERAL GRANTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
REVENUES				
Intermediate Sources	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-
Federal sources	1,051,869	1,051,869	998,015	(53,854)
Total revenues	1,051,869	1,051,869	998,015	(53,854)
EXPENDITURES				
Instruction	644,350	644,350 (1)	626,166	18,184
Support services	406,674	406,674 (1)	358,453	48,221
Community Service	845	845 (1)	13,396	(12,551)
Total expenditures	1,051,869	1,051,869	998,015	53,854
Excess of revenues over (under) expenditures	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

(1) Appropriation level

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

SUPPLEMENTARY INFORMATION

MOLALLA RIVER SCHOOL DISTRICT 35

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2018

	FOOD SERVICE	PUBLIC PURPOSE	E-RATE	MHS ATHLETIC
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable	35,779	-	44,389	-
Taxes receivable	-	-	-	-
Interfund loans receivable	112,358	267,773	-	17,025
Intergovernmental accounts receivable	-	-	-	-
Accrued interest	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	\$ 148,137	\$ 267,773	\$ 44,389	\$ 17,025
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund loans payable	\$ -	\$ -	\$ 12,200	\$ -
Accounts payable	42,895	-	-	1,483
Other short term liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	42,895	-	12,200	1,483
Deferred inflows of resources:				
Unavailable revenue-property taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	105,242	267,773	-	-
Committed	-	-	32,189	-
Assigned	-	-	-	15,542
Unassigned	-	-	-	-
Total fund balances	105,242	267,773	32,189	15,542
Total liabilities and fund balances	\$ 148,137	\$ 267,773	\$ 44,389	\$ 17,025

MOLALLA RIVER SCHOOL DISTRICT 35

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2018

CAPITAL RESERVE	CAPITAL CONSTRUCTION	PENSION OBLIGATION BONDS	MISC. COMMUNITY GRANTS	STATE FUNDED GRANTS	TOTAL
\$ -	\$ -	\$ 1,014,508	\$ -	\$ -	\$ 1,014,508
-	78,342	-	-	137,849	296,359
654,928	288,758	1,091,070	13,348	-	2,445,260
-	-	-	-	-	-
-	-	-	-	9,438	9,438
<u>\$ 654,928</u>	<u>\$ 367,100</u>	<u>\$ 2,105,578</u>	<u>\$ 13,348</u>	<u>\$ 147,287</u>	<u>\$ 3,765,565</u>
\$ -	\$ -	\$ -	\$ -	\$ 144,295	\$ 156,495
11,955	8,524	-	1,232	750	66,839
-	-	994,308	-	2,242	996,550
-	-	-	-	-	-
<u>11,955</u>	<u>8,524</u>	<u>994,308</u>	<u>1,232</u>	<u>147,287</u>	<u>1,219,884</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	9,438	9,438
-	358,576	1,111,270	12,116	-	1,854,977
642,973	-	-	-	-	675,162
-	-	-	-	-	15,542
-	-	-	-	(9,438)	(9,438)
<u>642,973</u>	<u>358,576</u>	<u>1,111,270</u>	<u>12,116</u>	<u>-</u>	<u>2,545,681</u>
<u>\$ 654,928</u>	<u>\$ 367,100</u>	<u>\$ 2,105,578</u>	<u>\$ 13,348</u>	<u>\$ 147,287</u>	<u>\$ 3,765,565</u>

MOLALLA RIVER SCHOOL DISTRICT 35

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2018

	FOOD SERVICE	PUBLIC PURPOSE	E-RATE	MHS ATHLETIC
REVENUES				
Local sources	\$ 243,669	\$ 44,031	\$ 99,748	\$ 237,798
Intermediate sources	-	-	-	-
State sources	20,218	-	-	-
Federal sources	517,868	-	-	-
Total revenues	781,755	44,031	99,748	237,798
EXPENDITURES				
Instruction	-	-	-	510,093
Support services	-	-	133,326	32,102
Enterprise and community services	770,241	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
Total expenditures	770,241	-	133,326	542,195
Excess of revenues over (under) expenditures	11,514	44,031	(33,578)	(304,397)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfer in	-	-	-	218,000
Transfer out	-	(42,918)	-	-
Total other financing sources (uses)	-	(42,918)	-	218,000
Net change in fund balance	11,514	1,113	(33,578)	(86,397)
FUND BALANCE, beginning of year	93,728	266,660	65,767	101,939
FUND BALANCE, end of year	<u>\$ 105,242</u>	<u>\$ 267,773</u>	<u>\$ 32,189</u>	<u>\$ 15,542</u>

MOLALLA RIVER SCHOOL DISTRICT 35

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2018

CAPITAL RESERVE	CAPITAL CONSTRUCTION	PENSION OBLIGATION BONDS	MISC. COMMUNITY GRANTS	STATE FUNDED GRANTS	TOTAL
\$ 49,822	\$ 185,425	\$ 2,013,184	\$ 39,573	\$ -	\$ 2,913,250
-	-	-	-	4,153	4,153
-	-	-	-	137,883	158,101
-	-	-	-	-	517,868
<u>49,822</u>	<u>185,425</u>	<u>2,013,184</u>	<u>39,573</u>	<u>142,036</u>	<u>3,593,372</u>
-	-	-	45,641	85,673	641,407
69,260	18,039	-	7,914	56,166	316,807
-	-	-	2,940	-	773,181
116,510	173,598	-	-	197	290,305
-	-	1,970,495	-	-	1,970,495
<u>185,770</u>	<u>191,637</u>	<u>1,970,495</u>	<u>56,495</u>	<u>142,036</u>	<u>3,992,195</u>
(135,948)	(6,212)	42,689	(16,922)	-	(398,823)
-	-	-	-	-	-
42,918	-	-	-	-	260,918
-	-	-	-	-	(42,918)
<u>42,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,000</u>
(93,030)	(6,212)	42,689	(16,922)	-	(180,823)
<u>736,003</u>	<u>364,788</u>	<u>1,068,581</u>	<u>29,038</u>	<u>-</u>	<u>2,726,504</u>
<u>\$ 642,973</u>	<u>\$ 358,576</u>	<u>\$ 1,111,270</u>	<u>\$ 12,116</u>	<u>\$ -</u>	<u>\$ 2,545,681</u>

MOLALLA RIVER SCHOOL DISTRICT 35

FOOD SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET (NON-GAAP BASIS) AND ACTUAL

Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
REVENUES				
Local sources	\$ 217,000	\$ 217,000	\$ 243,669	\$ 26,669
State sources	29,500	29,500	20,218 (2)	(9,282)
Federal sources	584,900	584,900	517,868	(67,032)
Total revenues	831,400	831,400	781,755	(49,645)
EXPENDITURES				
Enterprise and community services	881,400	881,400 (1)	770,241	111,159
Excess of revenues over (under) expenditures	(50,000)	(50,000)	11,514	61,514
FUND BALANCE, beginning of year	50,000	50,000	93,728	43,728
FUND BALANCE, end of year	\$ -	\$ -	\$ 105,242	\$ 105,242

(1) Appropriation level

(2) Included in this is the required state revenue match of \$8,051 the District must recognize in the Food Service Fund for National School Lunch Support in order to meet the general cash assistance match.

MOLALLA RIVER SCHOOL DISTRICT 35

PUBLIC PURPOSE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
REVENUES				
Local sources	\$ 45,000	\$ 45,000	\$ 44,031	\$ (969)
EXPENDITURES				
Facilities acquisition and construction	270,082	270,082 (1)	-	270,082
Excess of revenues over (under) expenditures	(225,082)	(225,082)	44,031	269,113
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	-	-
Transfer out	(42,918)	(42,918) (1)	(42,918)	-
Total other financing sources (uses)	(42,918)	(42,918)	(42,918)	-
Net change in fund balance	(268,000)	(268,000)	1,113	269,113
FUND BALANCE, beginning of year	268,000	268,000	266,660	(1,340)
FUND BALANCE, end of year	\$ -	\$ -	\$ 267,773	\$ 267,773

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

E-RATE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL

Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
REVENUES				
Local sources	\$ 95,000	\$ 95,000	\$ 99,748	\$ 4,748
EXPENDITURES				
Support services	163,000	163,000 (1)	133,326	29,674
Total expenditures	163,000	163,000	133,326	29,674
Excess of revenues over (under) expenditures	(68,000)	(68,000)	(33,578)	34,422
FUND BALANCE, beginning of year	68,000	68,000	65,767	(2,233)
FUND BALANCE, end of year	\$ -	\$ -	\$ 32,189	\$ 32,189

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

MHS ATHLETIC
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
REVENUES				
Local sources	\$ 205,000	\$ 205,000	\$ 237,798	\$ 32,798
EXPENDITURES				
Instruction	480,634	480,634 (1)	510,093	(29,459)
Support services	32,366	32,366 (1)	32,102	264
Total expenditures	513,000	513,000	542,195	(29,195)
Excess of revenues over (under) expenditures	(308,000)	(308,000)	(304,397)	3,603
OTHER FINANCING SOURCES (USES)				
Transfer in	218,000	218,000	218,000	-
Net change in fund balance	(90,000)	(90,000)	(86,397)	3,603
FUND BALANCE, beginning of year	90,000	90,000	101,939	11,939
FUND BALANCE, end of year	\$ -	\$ -	\$ 15,542	\$ 15,542

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
REVENUES				
Local sources	\$ 42,000	\$ 42,000	\$ 49,822	\$ 7,822
EXPENDITURES				
Support services	84,918	84,918 (1)	69,260	15,658
Facilities acquisition and construction	725,000	725,000 (1)	116,510	608,490
Total expenditures	809,918	809,918	185,770	624,148
Excess of revenues over (under) expenditures	(767,918)	(767,918)	(135,948)	631,970
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	-	-
Transfers In	42,918	42,918	42,918	-
Net change in fund balance	(725,000)	(725,000)	(93,030)	631,970
FUND BALANCE, beginning of year	725,000	725,000	736,003	11,003
FUND BALANCE, end of year	\$ -	\$ -	\$ 642,973	\$ 642,973

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

CAPITAL CONSTRUCTION FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
REVENUES				
Local sources	\$ 75,000	\$ 75,000	\$ 185,425	\$ 110,425
EXPENDITURES				
Support services	100,000	100,000 (1)	18,039	81,961
Facilities acquisition and construction	360,000	360,000 (1)	173,598	186,402
Total expenditures	460,000	460,000	191,637	268,363
Excess of revenues over (under) expenditures	(385,000)	(385,000)	(6,212)	378,788
FUND BALANCE, beginning of year	385,000	385,000	364,788	(20,212)
FUND BALANCE, end of year	\$ -	\$ -	\$ 358,576	\$ 358,576

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

PENSION OBLIGATION BONDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
REVENUES				
Local sources	\$ 1,978,000	\$ 1,978,000	\$ 2,013,184	\$ 35,184
Total revenues	1,978,000	1,978,000	2,013,184	35,184
EXPENDITURES				
Debt service	1,970,752	1,970,752 (1)	1,970,495	257
Contingency	1,032,248	1,032,248 (1)	-	1,032,248
Total expenditures	3,003,000	3,003,000	1,970,495	1,032,505
Excess of revenues over (under) expenditures	(1,025,000)	(1,025,000)	42,689	1,067,689
FUND BALANCE, beginning of year	1,025,000	1,025,000	1,068,581	43,581
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,111,270	\$ 1,111,270

(1) Appropriation Level

MOLALLA RIVER SCHOOL DISTRICT 35

MISCELLANEOUS COMMUNITY GRANTS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
REVENUES				
Local sources	\$ 45,500	\$ 55,500	\$ 39,573	\$ (15,927)
Intermediate sources	1,000	1,000	-	(1,000)
Total revenues	46,500	56,500	39,573	(16,927)
EXPENDITURES				
Instruction	44,500	54,500 (1)	45,641	8,859
Support services	12,000	12,000 (1)	7,914	4,086
Enterprise and community services	3,500	3,500 (1)	2,940	560
Total expenditures	60,000	70,000	56,495	13,505
Excess of revenues over (under) expenditures	(13,500)	(13,500)	(16,922)	(3,422)
FUND BALANCE, beginning of year	13,500	13,500	29,038	15,538
FUND BALANCE, end of year	\$ -	\$ -	\$ 12,116	\$ 12,116

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

STATE FUNDED GRANTS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
REVENUES				
Intermediate Sources	\$ -	\$ -	\$ 4,153	\$ 4,153
State sources	305,000	305,000	137,883	(167,117)
Total revenues	305,000	305,000	142,036	(162,964)
EXPENDITURES				
Instruction	172,500	172,500 (1)	85,673	86,827
Support services	132,500	132,500 (1)	56,166	76,334
Capital Outlay	-	- (1)	197	(197)
Total expenditures	305,000	305,000	142,036	162,964
Excess of revenues over (under) expenditures	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

MHS LAND LAB

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL

Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
REVENUES				
Local sources	\$ 20,000	\$ 20,000	\$ 19,503	\$ (497)
EXPENDITURES				
Instruction	218,661	218,661 (1)	205,930	12,731
Support services	86,677	86,677 (1)	48,543	38,134
Total expenditures	305,338	305,338	254,473	50,865
Excess of revenues over (under) expenditures	(285,338)	(285,338)	(234,970)	50,368
OTHER FINANCING SOURCES (USES)				
Transfer in	241,663	241,663	236,381	(5,282)
Net change in fund balance	(43,675)	(43,675)	1,411	45,086
FUND BALANCE, beginning of year	43,675	43,675	35,454	(8,221)
FUND BALANCE, end of year	\$ -	\$ -	\$ 36,865	\$ 36,865

(1) Appropriation level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB #54 due to its financial resources being derived primarily from General Fund Transfers.

MOLALLA RIVER SCHOOL DISTRICT 35

RISK MANAGEMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
REVENUES				
Local sources	\$ -	\$ -	\$ 21,469	\$ 21,469
EXPENDITURES				
Support services	185,000	185,000 (1)	3,058	181,942
Excess of revenues over (under) expenditures	(185,000)	(185,000)	18,411	203,411
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Net change in fund balance	(185,000)	(185,000)	18,411	203,411
FUND BALANCE, beginning of year	185,000	185,000	204,544	19,544
FUND BALANCE, end of year	\$ -	\$ -	\$ 222,955	\$ 222,955

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

AGENCY FUND

Year Ended June 30, 2018

	<u>BALANCES</u> <u>JULY 1, 2017</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCES</u> <u>JUNE 30, 2018</u>
ASSETS				
Cash and cash equivalents:				
Student activity funds:				
Molalla High School	\$ 66,355	\$ 263,303	264,736	64,922
Molalla River Middle School	25,272	36,290	36,221	25,341
Clarkes Elementary School	5,426	2,797	3,331	4,892
Molalla Elementary School	8,130	15,257	17,174	6,213
Mulino Elementary School	3,100	7,082	7,378	2,804
Rural Dell Elementary School	3,078	10,296	10,720	2,654
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 111,361</u>	<u>\$ 335,025</u>	<u>339,560</u>	<u>106,826</u>
LIABILITIES				
Due to student groups	<u>\$ 111,361</u>	<u>\$ 335,025</u>	<u>\$ 339,560</u>	<u>\$ 106,826</u>

MOLALLA RIVER SCHOOL DISTRICT 35

GENERAL FUND

Year Ended June 30, 2018

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT July 1, 2017	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UN- SEGREGATED AT June 30, 2018
Current Year						
2017-18	\$ 8,212,616	\$ 214,054	\$ (18,079)	\$ 2,682	\$ 7,819,664	\$ 163,501
Prior Years						
2016-17	167,819	(99)	(27,511)	5,360	60,781	84,986
2015-16	105,036	(15)	(24,364)	4,842	21,580	63,949
2014-15	64,219	(5)	(9,949)	5,346	15,201	44,420
2013-14	35,135	-	1,380	2,718	6,984	32,249
2012-13 & Prior	90,274	6	29,629	242	2,702	117,437
Total prior	462,483	(113)	(30,815)	18,508	107,248	343,041
TOTALS	\$ 8,675,099	\$ 213,941	\$ (48,894)	21,190	\$ 7,926,912	\$ 506,542

Cash Collections by County Treasurer	\$ 7,926,912
Accrual of Receivables	
June 30, 2017	(52,164)
June 30, 2018	46,646
Taxes in lieu	49,941
Total Receipts	\$ 7,971,335

MOLALLA RIVER SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Program Title	Pass Through Organization	Federal CFDA Number	Pass Through Entity Number	Period Covered	Expenditures	
U.S. Department of Education						
F210	Title I Grants to Local Educational Agencies	Oregon Department of Education	84.010	41105	7/1/17-9/30/17	\$ 23,403
		Oregon Department of Education	84.010	45640	7/1/17-6/30/18	330,565
F210	Total Title I Grants to Local Education Agencies					353,968
F213	Title III - Language Instruction	Oregon Department of Education	84.365	41777	7/1/17-9/30/17	2,058
		Oregon Department of Education	84.365	44232	7/1/17-6/30/18	17,354
F213	Total Title III - Language Instruction					19,412
F218	Title IVA - Student Support and Academic Enrichment	Oregon Department of Education	84.424	47769	7/1/17-6/30/18	11,431
F218	Total Title IVA - Student Support and Academic Enrichment					11,431
F220	Title IIA - Teacher Quality	Oregon Department of Education	84.367	36218	7/1/17-6/30/18	6,602
		Oregon Department of Education	84.367	41360	7/1/17-6/30/18	28,335
		Oregon Department of Education	84.367	45856	7/1/17-6/30/18	56,455
F220	Total Title IIA - Teacher Quality					91,392
F222	Title 1C - Migrant Education	ODE>Clackamas ESD	84.011		7/1/17-6/30/18	2,119
		ODE>Clackamas ESD	84.011		7/1/17-6/30/18	23,311
F223		Summer Ed ODE>Clackamas ESD	84.011		5/1/17-9/30/17	-
F222-3	Total Title 1C - Migrant Education					25,430
F230	NOT ON MRSD A-133	ODE>Clackamas ESD	84.048	44281	7/1/17-6/30/18	17,366
	Perkins - Reserve Fund	ODE>Clackamas ESD	84.048	36426	7/1/15-9/30/16	
	Perkins - Basic	ODE>Clackamas ESD	84.048	40307	7/1/16-9/30/17	
F222-3	Total Perkins Grants					17,366
F236	Special Education Cluster	Part B Sect 611 Oregon Department of Education	84.027	41570	7/1/17-9/30/17	4,392
		Part B Sect 611 Oregon Department of Education	84.027	45217	7/1/17-6/30/18	429,520
		Enhancement Oregon Department of Education	84.027	42697	7/1/17-9/30/17	2,249
		Enhancement Oregon Department of Education	84.027	42697	7/1/17-6/30/18	1,804
		Extended Assessment Oregon Department of Education	84.027	45059	7/1/17-6/30/18	549
		SPR & I Oregon Department of Education	84.027	44436	7/1/17-6/30/18	3,341
		SPDG EBISS Breadth Oregon Department of Education	84.323	43406	7/1/17-6/30/18	5,661
		Sect 619 Pre-K Oregon Department of Education	84.173	37215	7/1/17-6/30/18	311
		Sect 619 Pre-K Oregon Department of Education	84.173	40640	7/1/17-6/30/18	621
F236	Total Special Education Cluster					448,448
F100	PSO	Oregon Department of Education	84.027		7/1/17-6/30/18	240
	Foster Care Transportation	Oregon Department of Education	93.658		7/1/17-6/30/18	707
						968,393
Total U.S. Department of Education						
U.S. Department of Health & Human Services						
F100	YTP Grant Contract #	DHS Trust & Rcvng	84.126A	Yr 1 of 2 7/1/17-6/30/19	7/1/17-6/30/18	65,277
						65,277
Total U.S. Department of Health & Human Services						
U.S. Department of Agriculture:						
Child Nutrition Cluster:						
	Donated Commodities (Non-Cash Assistance)	Oregon Department of Education	10.553/555		7/1/17-6/30/18	60,738
	School Breakfast Program	Oregon Department of Education	10.553		7/1/17-6/30/18	76,966
	National School Lunch Program	Oregon Department of Education	10.555		7/1/17-6/30/18	372,698
	Summer Food	Oregon Department of Education	10.559		7/1/17-6/30/18	5,854
	Total Child Nutrition Cluster					516,256
	Admin for NSLP	Oregon Department of Education	10.560		7/1/17-6/30/18	1,612
	Total U.S. Department of Agriculture					517,869
TOTAL FEDERAL FINANCIAL ASSISTANCE						\$ 1,551,539
Reconciliation to Federal Revenue:						
Federal Revenue Expended					\$	1,551,539
Accruals/Deferrals						6,100
Federal Revenue Recognized					\$	1,557,639

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

OTHER INFORMATION

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MOLALLA RIVER SCHOOL DISTRICT 35

SCHEDULE OF BOND AND BOND INTEREST TRANSACTIONS

Year Ended June 30, 2018

ISSUE DATE	LIMITED TAX PENSION OBLIGATION BONDS						INTEREST COUPON RATES
	ORIGINAL ISSUE	OUTSTANDING AT JUNE 30,			ISSUED	OUTSTANDING AT JUNE 30, 2018	
		2017	MATURED	REDEEMED			
October 31, 2002, Series 2002	\$ 8,635,318	\$ 6,670,804	\$ -	\$ 180,135	\$ -	\$ 6,490,669	2.06-6.10
April 21, 2003, Series 2003	12,181,530	8,471,654	-	331,898	-	8,139,756	1.50-6.27
TOTALS	\$ 20,816,848	\$ 15,142,458	\$ -	\$ 512,033	\$ -	\$ 14,630,425	

ISSUE DATE	INTEREST				
	OUTSTANDING AT JUNE 30,		REDEEMED	ISSUED	OUTSTANDING AT JUNE 30, 2018
	2017	MATURED			
October 31, 2002, Series 2002	\$ -	\$ 608,765	608,765	\$ -	\$ -
April 21, 2003, Series 2003	-	846,753	846,753	-	-
TOTALS	\$ -	\$ 1,455,518	\$ 1,455,518	\$ -	\$ -

MOLALLA RIVER SCHOOL DISTRICT 35

SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS

Year Ended June 30, 2018

	LIMITED TAX PENSION OBLIGATION BONDS				TOTAL REQUIREMENTS	
	OCTOBER 31, 2002 ISSUE		APRIL 21, 2003 ISSUE		ALL ISSUES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2018-2019	182,339	663,062	330,391	908,259	512,730	1,571,321
2019-2020	183,330	685,568	328,262	970,388	511,592	1,655,956
2020-2021	275,000	347,151	326,509	1,037,141	601,509	1,384,292
2022-2023	735,000	287,882	324,852	1,173,797	1,059,852	1,461,679
2023-2024	825,000	247,530	1,200,000	368,649	2,025,000	616,179
2024-2025	925,000	201,742	1,345,000	301,323	2,270,000	503,065
2025-2026	1,030,000	150,405	1,500,000	224,927	2,530,000	375,332
2026-2027	1,145,000	93,240	1,670,000	139,728	2,815,000	232,968
2027-2028	535,000	29,693	790,000	44,869	1,325,000	74,562
TOTALS	<u>\$ 6,490,669</u>	<u>\$ 3,030,049</u>	<u>\$ 8,139,756</u>	<u>\$ 6,272,989</u>	<u>14,630,425</u>	<u>9,303,038</u>

MOLALLA RIVER SCHOOL DISTRICT 35

SUPPLEMENTAL INFORMATION, 2017-2018

School District Business Managers and Auditors:

This page is a required part of your annual audited financial statements. Please make sure it is included.

Part A is needed for computing Oregon's full allocation for ESEA, Title I & other Federal Funds for Education.

A. Energy bills for heating - all funds:		<u>Objects 325 and 326 & *327</u>
	Function 2540	\$ 584,844
	Function 2550	-

B. Replacement of equipment - General Fund:			<u>Amount</u>
Include all General Fund expenditures in Object 542, except for the following exclusions:			
Exclude these functions:			
1113, 1122 & 1132	Co-curricular activities	4150	Construction \$ 15,000
1140	Pre-kindergarten	2550	Pupil transportation
1300	Continuing education	3100	Food service
1400	Summer school	3300	Community services

* (water and sewage) has been added to Part A to be included in the Function 3540 and 2550 totals

MOLALLA RIVER SCHOOL DISTRICT NO. 35
 CLACKAMAS COUNTY, OREGON

FINANCIAL AND OPERATING DATA

LEVY RATES (per \$1,000)		ASSESSED PROPERTY VALUES	General Obligation Debt Capacity	
Fiscal Year	Permanent Rate*		M5 Real Market Value	7.95% M5 RMV
2013-14	4.7001	1,485,770,682	1,696,157,599	134,844,529 *
2014-15	4.7001	1,554,928,159	1,823,766,155	144,989,409 *
2015-16	4.7001	1,627,255,937	2,018,571,774	160,476,456 *
2016-17	4.7001	1,696,509,923	2,256,466,510	179,389,088 *
2017-18	4.7001	1,764,687,522	2,509,874,799	199,535,047 *
* No other levies			* No General Obligation Debt Outstanding	

MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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October 29, 2018

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Molalla River School District 35 as of and for the year ended June 30, 2018, and have issued our report thereon dated October 29, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of 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 basic 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 as follows:

- 1) Expenditures were within authorized appropriation levels except as noted on page 20.

OAR 162-10-0230 Internal Control

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

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

A handwritten signature in cursive script that reads "Roy R. Rogers".

Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

GRANT COMPLIANCE REVIEW

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October 29, 2018

To the Board of Directors
Molalla River School District 35
Clackamas County, Oregon

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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 basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Molalla River School District 35 as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated October 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of 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 basic 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.

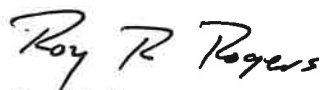
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 basic financial statements are free from material misstatement, we performed tests of 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 basic 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 internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.



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October 29, 2018

To the Board of Directors
Molalla River School District 35
Clackamas County, Oregon

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited Molalla School District 35'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 major federal programs for the year ended June 30, 2018. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 compliance.

Opinion on Each Major Federal Program

In our opinion, Molalla River School District 35 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.

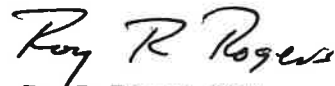
Report on Internal Control Over Compliance

Management 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 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 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.

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.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

Section I – Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes No

Noncompliance material to financial statements noted? Yes No

Any GAGAS findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of major programs

CFDA Number(s):

10.553, 10.555, 10.559

Name of Federal Program:

Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

Notes to the schedule of Expenditures of Federal Awards

The schedule of expenditures of federal awards included in this report includes the federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None