

***VERNONIA SCHOOL DISTRICT NO. 47J
FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION
Year Ended June 30, 2016***

BOARD OF DIRECTORS

<i>Name</i>	<i>Title</i>
Brett Costley P.O. Box 45 Vernonia, Oregon 97064	Chair
Ernie Smith 1025 4 th Avenue Vernonia, Oregon 97064	Vice-Chair
Greg Kintz 54240 Nehalem Highway, South Vernonia, Oregon 97064	Member
Katie Cook 1668 Rose Avenue Vernonia, Oregon 97064	Member
Cari Levenseller 479 Rose Avenue Vernonia, Oregon 97064	Member
Brittanie Roberts 425 1 st Avenue Vernonia, Oregon 97064	Member
Jim Krahn 18731 Mellinger Road Vernonia, Oregon 97064	Member (until 10/8/15)
Susan Wagner 1311 Alder Street Vernonia, Oregon 97064	Member (as of 11/12/15)

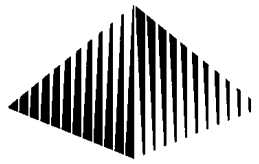
ADMINISTRATIVE

Vernonia School District No. 47J
1201 Texas Avenue
Vernonia, Oregon 97064

Aaron Miller, Superintendent and Budget Officer
André Schellhaas, Accounting Manager

VERNONIA SCHOOL DISTRICT NO. 47J
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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

School Board
Vernonia School District 47J
1201 Texas Avenue
Vernonia, Oregon 97064

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Vernonia School District 47J, Columbia County, Oregon (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Vernonia School District 47J, Columbia County, Oregon as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of a Matter

As discussed in the notes to the financial statements, the District has not accrued a liability for some other postemployment benefits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), the budgetary comparison information, and the schedule of the proportionate share of the net pension liability for PERS and the schedule of contributions for PERS 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 MD&A, the schedule of the proportionate share of the net pension liability for PERS, and the schedule of contributions for PERS in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison 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 budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

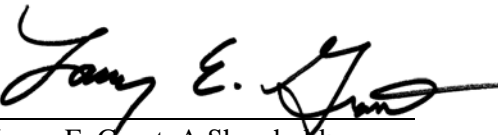
The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 7, 2016, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By: 
Larry E. Grant, A Shareholder
December 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

As management of Vernonia School District No. 47J (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the net position of the District at June 30, 2016 was \$18.1 million. Of this amount, \$20.5 million represents the District's net investment in capital assets, \$56 thousand is restricted for debt service, \$97 thousand is restricted for student body activities and a negative \$2.6 million and is unrestricted.
- The District's total net position decreased by \$2.9 million.
- The District's governmental funds reported a combined ending fund balance of \$0.8 million at June 30, 2016, a decrease of \$0.5 million.
- At the end of the fiscal year ended June 30, 2016, unassigned fund balance for the General Fund was \$0.6 million, which represents a decrease of \$0.4 million in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements include:

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

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

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

Fund financial statements. The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Vernonia School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund's statement of revenues, expenditures and changes in fund balances for the General Fund, the Special Revenue Fund, and the Debt Service Fund, which are considered to be major funds.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, net position was \$18.1 million as of June 30, 2016, a decrease of \$2.9 million during the year.

Investment in capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, net of accumulated depreciation, represents about 94 percent of total assets. The remaining assets consist mainly of investments, cash, and grants and property taxes receivable.

The District's largest liability, which represents 79 percent of total liabilities, is for the repayment of long-term obligations. Other liabilities consist primarily of payables on accounts, salaries and benefits, and the PERS net pension liability.

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

Vernonia School District No. 47J
Statements of Net Position
June 30,

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Current and other assets	\$ 2,434,687	\$ 1,898,999	\$ 535,688
PERS net pension asset	-	1,507,622	(1,507,622)
Capital assets	37,623,713	38,310,150	(686,437)
Total Assets	40,058,400	41,716,771	(1,658,371)
Deferred Outflows of Resources	800,912	618,679	182,233
Total Assets and Deferred Outflows of Resources	40,859,312	42,335,450	(1,476,138)
Current liabilities	1,505,905	467,089	1,038,816
PERS net pension liability	3,139,627	-	3,139,627
Long-term liabilities	17,147,094	17,844,126	(697,032)
Total Liabilities	21,792,626	18,311,215	3,481,411
Deferred Inflows of Resources	995,954	3,069,794	(2,073,840)
Total Liabilities and Deferred Inflows of Resources	22,788,580	21,381,009	1,407,571
Net position:			
Net investment in capital assets	20,496,415	20,473,820	22,595
Restricted	152,735	231,567	(78,832)
Unrestricted	(2,578,418)	249,054	(2,827,472)
Total Net Position	<u>\$ 18,070,732</u>	<u>\$ 20,954,441</u>	<u>\$ (2,883,709)</u>

Statement of Activities. During the current fiscal year, the District's net position decreased by \$2.9 million, as compared to an increase of \$2.5 million in the prior year. The key elements of the change in the District's net position for the year ended June 30, 2016 are as follows:

- Operating grants and contributions decreased by \$0.4 million when compared to the prior year, the result of the completion of a one-time Career-Technical Education state grant in the prior year.
- State school fund revenues decreased by \$0.3 million, primarily due to decreases in enrollment.
- Gains on disposition of capital assets declined because disposal of flood-related assets was essentially completed in the prior year.
- Expense increases are primarily attributed to pension expense adjustments, resulting in an increase of \$4.3 million. The adjustment was primarily the result of a Supreme Court case overturning legislative pension modifications.

Vernonia School District No. 47J
Statements of Activities
June 30,

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Revenues			
Program revenues			
Fines, fees, and charges for service	\$ 340,580	\$ 328,737	\$ 11,843
Operating grants and contributions	838,487	1,199,650	(361,163)
Capital grants and contributions	-	130,245	(130,245)
General revenues			
Property taxes, levied for general purposes	2,263,797	2,152,615	111,182
Property taxes, levied for debt service	758,907	853,118	(94,211)
State school fund	2,593,024	2,853,013	(259,989)
Common school fund	63,557	50,700	12,857
Unrestricted state and local sources	1,070,872	1,197,514	(126,642)
Earnings on investments	22,623	10,027	12,596
Miscellaneous	184,105	96,925	87,180
Gain (loss) on disposition of capital assets	1,581	511,610	(510,029)
<i>Total revenues</i>	<u>8,137,533</u>	<u>9,384,154</u>	<u>(1,246,621)</u>
Expenses			
Instructional services	6,574,706	3,208,809	3,365,897
Support services	3,367,272	2,257,062	1,110,210
Food services	287,081	218,943	68,138
Facilities services	84,719	547,489	(462,770)
Interest on long-term liabilities	639,851	656,455	(16,604)
Community services	67,613	-	67,613
<i>Total expenses</i>	<u>11,021,242</u>	<u>6,888,758</u>	<u>4,132,484</u>
Change in net position	(2,883,709)	2,495,396	(5,379,105)
Net position, beginning of year	<u>20,954,441</u>	<u>18,459,045</u>	<u>2,495,396</u>
Net position, end of year	<u><u>\$ 18,070,732</u></u>	<u><u>\$ 20,954,441</u></u>	<u><u>\$ (2,883,709)</u></u>

Financial Analysis of the District's Funds

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

Governmental funds. The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At June 30, 2016, the District's governmental funds reported combined ending fund balances of \$803 thousand, a decrease of \$506 thousand in comparison with the prior year.

General Fund. The General Fund is the primary operating fund of the District. As of June 30, 2016, fund balance was \$642 thousand. The fund balance decreased by \$431 thousand during the current fiscal year.

General Fund Budgetary Highlights

The budget for the General Fund including the amendment to levy property taxes was adopted by the Board on June 11, 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment. As of June 30, 2016, the District had invested \$37.6 million in capital assets, net of depreciation, as shown in the following table:

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Land and improvements	\$ 1,528,510	\$ 1,528,510	\$ -
Construction in progress	-	129,674	(129,674)
Building and improvements	36,049,236	36,619,230	(569,994)
Vehicles and equipment	45,967	32,736	13,231
Total	<u>\$ 37,623,713</u>	<u>\$ 38,310,150</u>	<u>\$ (686,437)</u>

During fiscal year 2015-16, the District's investment in capital assets decreased by \$686 thousand. The major capital asset events for the year ended June 30, 2016 included depreciation of \$805 thousand and the acquisitions of a greenhouse, a sports practice field, and a high school shop.

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

Long-term Debt. On July 1, 2004, the District issued \$995,000 in certificates of participation. During the year, \$50,000 of principal was paid on the debt. At June 30, 2016, the District has \$495,000 of outstanding certificates of participation payable.

In August 2005, the District issued \$487,660 in Qualified Zone Academy Bonds. During the year, this debt was reduced by \$30,434. At June 30, 2016, the District has \$153,555 of outstanding Qualified Zone Academy Bonds payable.

In November of 2009, the District issued \$13,000,000 in general obligation bonds. During the year, \$235,000 of principal was paid on the debt. At June 30, 2016, the District has \$12,125,000 of outstanding general obligation bonds payable.

In October of 2010, the District issued \$3,400,000 in Qualified School Construction Bonds (QSCB). During the year, \$200,000 of principal was paid on the debt. At June 30, 2016, the District has \$2,215,000 of outstanding certificates of participation payable.

In August of 2012, the District secured a loan from the State of Oregon Department of Energy through the Small Scale Energy Loan Program (SSELP) for \$1,000,000. During the year, \$57,263 of principal was paid on the debt. At June 30, 2016, the District has \$802,418 outstanding on this note. During the year, the District entered into a two year forbearance agreement with the Oregon Department of Energy for the period July 1, 2016 to July 1, 2018 related to this loan.

In June of 2013, the District secured a second loan from the State of Oregon Department of Energy through the Small Scale Energy Loan Program (SSELP) for \$1,237,342. During the year, \$67,253 of principal was paid on the debt. At June 30, 2016, the District has \$1,076,306 outstanding on this note. During the year, the District entered into a two year forbearance agreement with the Oregon Department of Energy for the period July 1, 2016 to July 1, 2018 related to this loan.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A significant economic factor for the District is the State of Oregon's State School Fund (SSF). For the year ended June 30, 2016, resources provided through the State School Fund formula accounted for about 93 percent of the District's General Fund revenues. This formula includes local revenues, including property taxes.

Salaries and benefits costs are projected to increase in 2016-17 based on negotiated contractual obligations.

From the 2004-05 fiscal year through September 2015 the District experienced a drop in enrollment of nearly 25 percent, partly due to the flood which occurred in 2007-08. These decreases in enrollment have resulted in significant decreases in funding. Since recent projections for modest growth have not materialized on a consistent basis the District is estimating enrollment for the 2016-17 school year conservatively, projecting a continued decline.

The District's Budget Committee and School Board considered all of these factors while preparing the District's budget for the 2016-17 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Financial Services, 1201 Texas Avenue, Vernonia, Oregon 97064.

VERNONIA SCHOOL DISTRICT NO. 47J
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS

Cash and investments	\$ 1,928,350
Receivables	503,523
Inventories	2,814
Capital assets not being depreciated	
Land	1,528,510
Capital assets, net of accumulated depreciation	
Buildings	36,049,236
Equipment	45,967
	<hr/>
<i>Total Assets</i>	40,058,400

DEFERRED OUTFLOWS OF RESOURCES

PERS deferred outflows	800,912
	<hr/>
<i>Total Assets and Deferred Outflows of Resources</i>	40,859,312

LIABILITIES

Accounts payable and accrued expenses	1,445,066
Accrued compensated absences payable	8,972
Accrued interest	51,867
PERS net pension liability	3,139,627
Long-term liabilities	
Portion due within one year	566,494
Portion due in more than one year	16,580,600
	<hr/>
<i>Total Liabilities</i>	21,792,626

DEFERRED INFLOWS OF RESOURCES

PERS deferred inflows	995,954
	<hr/>
<i>Total Liabilities and Deferred Inflows of Resources</i>	22,788,580

NET POSITION

Net investment in capital assets	20,496,415
Restricted for	
Debt service	56,043
Student body	96,692
Unrestricted	(2,578,418)
	<hr/>
<i>Total Net Position</i>	<u>\$ 18,070,732</u>

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

VERNONIA SCHOOL DISTRICT NO. 47J
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Instructional services	\$ 6,574,706	\$ 270,395	\$ 662,636	\$ (5,641,675)
Support services	3,367,272	7,262	-	(3,360,010)
Food services	287,081	62,923	175,851	(48,307)
Facilities services	84,719	-	-	(84,719)
Community services	67,613	-	-	(67,613)
Interest on long-term liabilities	639,851	-	-	(639,851)
<i>Total Governmental Activities</i>	<u>\$ 11,021,242</u>	<u>\$ 340,580</u>	<u>\$ 838,487</u>	(9,842,175)
General Revenues:				
Property taxes, levied for general purposes				2,263,797
Property taxes, levied for debt service				758,907
State school fund				2,593,024
Common school fund				63,557
Unrestricted state and local sources				1,070,872
Earnings on investments				22,623
Miscellaneous				184,105
Gain on disposition of assets				1,581
<i>Total General Revenues</i>				<u>6,958,466</u>
<i>Change in Net Position</i>				(2,883,709)
<i>Net Position - beginning</i>				<u>20,954,441</u>
<i>Net Position - ending</i>				<u>\$ 18,070,732</u>

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

VERNONIA SCHOOL DISTRICT NO. 47J
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 1,905,615	\$ -	\$ 22,735	\$ 1,928,350
Property taxes receivable	178,218	-	60,172	238,390
Due from other funds	98,061	-	-	98,061
Other receivables	42,147	197,983	25,003	265,133
Inventories	-	2,814	-	2,814
<i>Total Assets</i>	<u>\$ 2,224,041</u>	<u>\$ 200,797</u>	<u>\$ 107,910</u>	<u>\$ 2,532,748</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 19,670	\$ 3,230	\$ -	\$ 22,900
Due to other funds	-	98,061	-	98,061
Accrued salaries and benefits	436,169	-	-	436,169
Other payables	985,997	-	-	985,997
<i>Total Liabilities</i>	1,441,836	101,291	-	1,543,127
Deferred Inflows of Resources				
Unavailable revenue - property taxes	140,067	-	46,581	186,648
Fund Balances				
Nonspendable inventory	-	2,814	-	2,814
Restricted for:				
Debt service	-	-	61,329	61,329
Student body	-	96,692	-	96,692
Unassigned	642,138	-	-	642,138
<i>Total Fund Balances</i>	<u>642,138</u>	<u>99,506</u>	<u>61,329</u>	<u>802,973</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,224,041</u>	<u>\$ 200,797</u>	<u>\$ 107,910</u>	<u>\$ 2,532,748</u>

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

VERNONIA SCHOOL DISTRICT NO. 47J

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

JUNE 30, 2016

FUND BALANCES		\$	802,973
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost	\$	41,051,162	
Accumulated depreciation		<u>(3,427,449)</u>	37,623,713
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore are not reported as revenue in the governmental funds.			186,648
Long-term pension liabilities/assets not payable in the current year are not reported as governmental fund liabilities/assets. Actuarial changes create deferred outflows and inflows of resources. These consist of:			
PERS net pension asset (liability)		(3,139,627)	
Net deferred outflows of resources		800,912	
Net deferred inflows of resources		<u>(995,954)</u>	(3,334,669)
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:			
Accrued interest payable		(51,867)	
Compensated absences payable		(8,972)	
Early retirement incentives		(19,796)	
Capital leases		(7,135)	
Long-term debt		<u>(17,120,163)</u>	<u>(17,207,933)</u>
TOTAL NET POSITION			<u>\$ 18,070,732</u>

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

VERNONIA SCHOOL DISTRICT NO. 47J
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES				
Property taxes	\$ 2,261,310	\$ -	\$ 764,296	\$ 3,025,606
Intergovernmental				
Intermediate sources	76,035	-	-	76,035
State sources	3,752,625	7,283	-	3,759,908
Federal sources	-	545,892	253,796	799,688
Charges for services	41,030	271,935	-	312,965
Contributions	126,567	-	27,900	154,467
Investment earnings	22,550	-	73	22,623
Miscellaneous	183,095	725	-	183,820
<i>Total Revenues</i>	<u>6,463,212</u>	<u>825,835</u>	<u>1,046,065</u>	<u>8,335,112</u>
EXPENDITURES				
Current				
Instruction	3,649,055	531,601	-	4,180,656
Support services	2,697,692	41,913	400	2,740,005
Enterprise and community services	-	284,479	-	284,479
Facility acquisition and construction	55,617	-	-	55,617
Debt service				
Principal	5,960	-	640,828	646,788
Interest and other charges	2,063	-	814,296	816,359
Capital outlay	107,642	11,272	-	118,914
<i>Total Expenditures</i>	<u>6,518,029</u>	<u>869,265</u>	<u>1,455,524</u>	<u>8,842,818</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(54,817)	(43,430)	(409,459)	(507,706)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	44,983	333,027	378,010
Transfers out	(378,010)	-	-	(378,010)
Sale of/or compensation for loss of assets	1,581	-	-	1,581
<i>Total Other Financing Sources (Uses)</i>	<u>(376,429)</u>	<u>44,983</u>	<u>333,027</u>	<u>1,581</u>
NET CHANGE IN FUND BALANCES	(431,246)	1,553	(76,432)	(506,125)
FUND BALANCES, beginning	<u>1,073,384</u>	<u>97,953</u>	<u>137,761</u>	<u>1,309,098</u>
FUND BALANCES, ending	<u>\$ 642,138</u>	<u>\$ 99,506</u>	<u>\$ 61,329</u>	<u>\$ 802,973</u>

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

VERNONIA SCHOOL DISTRICT NO. 47J

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

NET CHANGE IN FUND BALANCES - (Governmental Funds) \$ (506,125)

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

Expenditures for capital assets	\$ 118,914	
Less current year depreciation	<u>(805,351)</u>	(686,437)

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 Assets. This is the amount by which repayments exceeded proceeds:

Debt principal repaid	645,811	
Amortization of bond premium	<u>63,221</u>	709,032

In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expense when due. 1,436

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied. (2,902)

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

Net change in PERS net pension liability/asset	(4,647,249)	
Net change in deferred outflows of resources	182,233	
Net change in deferred inflows of resources	<u>2,073,840</u>	(2,391,176)

Early retirement incentives are recognized as an expenditure in the governmental fund when they are paid. In the Statement of Activities early retirement incentives are recognized as expenditures when earned. (12,000)

Compensated absences are recognized as an expenditure in the governmental fund when they are paid. In the Statement of Activities compensated absences are recognized as expenditures when earned. 4,463

CHANGE IN NET POSITION \$ (2,883,709)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Vernonia School District No. 47J (the District) is a municipal corporation governed by a separately elected seven-member Board of Directors. Administrative officials are approved by the Board. The daily functioning of the District is under the supervision of the Superintendent-Clerk. As required by accounting principles generally accepted in the United States of America, all activities of the District have been included in the basic financial statements.

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

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the governmental financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or others for tuition, fees, rentals, 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.

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Special Revenue Fund - This fund accounts for the revenues and expenditures related to federal and other grants received from various federal, state and local sources restricted for specific educational projects as well as the various food service programs provided by the District. The sale of food and Federal reimbursements administered by the State are the major revenue sources.

Debt Service Fund - This fund accounts for the resources accumulated and payments made for the principal and interest on long-term general obligation debt and other long-term debt.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility 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.

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, early retirement, and claims and judgments, which are recognized as expenditures only when due. 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, Cash Equivalents and Investments

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

The District's investments consist of the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued)

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

Property Taxes Receivable

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

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

Accounts and Other Receivables

Accounts and other receivables are comprised primarily of unrestricted state support and claims for reimbursement of costs under various federal and state grants. Amounts are periodically reviewed for collectability. At June 30, 2016, no allowance for doubtful accounts is considered necessary.

Grants

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as unearned revenue on the statement of net position and the balance sheet.

Inventories

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

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of one year.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plans

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

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

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

Postemployment Health Care Benefits

The Board of Directors, through contract negotiations, previously authorized the District to offer early retirement incentive benefits to eligible employees. The District provides payments in accordance with current employee contracts primarily on a pay-as-you-go basis. Expenditures are recorded in the governmental funds as the insurance premiums are paid.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave except as noted below.

1. 16.7% of the unused sick leave accumulated will be paid as severance pay if the employee has completed 10 or more years, but less than 15 years of service in the District, limited to 17 days of pay.
2. 25% of the unused sick leave accumulated will be paid as severance pay if the employee has completed 15 years or more of service in the District, limited to 25 days of pay.

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. Vacation pay does not accumulate beyond 200 and 280 hours for classified and confidential personnel, respectively. For the year ended June 30, 2016, the District disbursed \$2,090 for sick leave pay as a result of resignation or retirement. Accrued vacation payable as of June 30, 2016 totaled \$8,972.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

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

In the fund financial statements, bond premiums are recognized when incurred and not deferred. The face amount of the debt issued and premiums received on debt issuances are reported as other financing sources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) so will not be recognized as an outflow of resources (expense/expenditure) until that time. The government has one item that qualifies for reporting in this category, arising only under the full accrual basis of accounting. As such, this item, *PERS deferred outflows*, which relate to PERS under GASB 68, only appears on the statement of net position.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. One item, *PERS deferred inflows*, which relates to PERS, arises only under the full accrual basis of accounting and only appears on the statement of net position. The other item, *unavailable revenue – property taxes*, only arises under a modified accrual basis of accounting and as such, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Use of Estimates

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

Fund Balance

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

Governmental Fund type fund balances are classified below:

Nonspendable – Amounts that cannot be spent because they are either in a nonspendable form or because they are legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Restricted – Amounts that can be spent only for specific purposes when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the School Board. The School Board can modify or rescind the commitment at any time through taking a similar formal action (resolution).

Assigned – Amounts that are constrained by the District’s intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the School Board approves which resources should be “reserved” during the adoption of the annual budget. The District’s Deputy Clerk uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the District’s Annual Financial Report.

Unassigned – All amounts not included in other spendable classifications. This residual classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

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.

Definitions of Governmental Fund Types

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

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

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

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

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

Supplemental budgets of less than 10% of a fund’s original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund’s original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. During the year, there were two budget resolutions affecting appropriations. Appropriations lapse at the end of each fiscal year.

CASH AND INVESTMENTS

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

Cash and investments are comprised of the following as of June 30, 2016:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<hr/>	<hr/>
<i>Cash</i>		
Cash on hand	\$ 100	\$ 100
Deposits with financial institutions	600,341	600,341
<i>Investments</i>		
Local Government Investment Pool	1,327,909	1,327,909
	<hr/>	<hr/>
	\$ 1,928,350	\$ 1,928,350
	<hr/> <hr/>	<hr/> <hr/>

Deposits

The book balance of the District’s bank deposit accounts was \$600,341 and the bank balance was \$693,080 at year end. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits

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

The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. The District's bank balances exceeded FDIC limits by \$440,774 as of June 30, 2016.

Custodial Credit Risk - Investments

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

Credit Risk

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper and the State of Oregon Treasurer's Local Government Investment Pool.

The District's policy, which adheres to State of Oregon law, is to limit its investments to the State of Oregon Treasurer's Local Government Investment Pool.

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2016, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

VERNONIA SCHOOL DISTRICT NO. 47J
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

CASH AND INVESTMENTS (Continued)

Interest Rate Risk - Investments

In accordance with its investment policy, the District manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments through use of the Local Government Investment Pool.

CAPITAL ASSETS

Capital assets activity for the year was as follows:

	<i>Balance June 30, 2015</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance June 30, 2016</i>
Capital assets not being depreciated:				
Land	\$ 1,528,510	\$ -	\$ -	\$ 1,528,510
Construction in progress	129,674	-	(129,674)	-
<i>Total Capital Assets Not Being Depreciated</i>	1,658,184	-	(129,674)	1,528,510
Capital assets being depreciated:				
Buildings and improvements	39,139,776	222,044	-	39,361,820
Equipment	108,638	26,544	-	135,182
Vehicles	25,650	-	-	25,650
<i>Total Capital Assets Being Depreciated</i>	39,274,064	248,588	-	39,522,652
Less accumulated depreciation for:				
Buildings and improvements	(2,520,546)	(792,038)	-	(3,312,584)
Equipment	(75,902)	(13,313)	-	(89,215)
Vehicles	(25,650)	-	-	(25,650)
<i>Total Accumulated Depreciation</i>	(2,622,098)	(805,351)	-	(3,427,449)
<i>Total Capital Assets Being Depreciated, net</i>	36,651,966	(556,763)	-	36,095,203
<i>Total Capital Assets, net</i>	<u>\$ 38,310,150</u>	<u>\$ (556,763)</u>	<u>\$ (129,674)</u>	<u>\$ 37,623,713</u>

VERNONIA SCHOOL DISTRICT NO. 47J
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS (Continued)

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

Program	
Instructional services	\$ 791,210
Support services	6,649
Food services	2,602
Facilities services	4,890
	<hr/>
Total depreciation expense	<u><u>\$ 805,351</u></u>

OTHER PAYABLES

During fiscal years ending June 30, 2015 and 2016, the District received estimated amounts of basic school support from the State of Oregon. These amounts were based on certain estimated formula inputs which did not approximate actual outcomes. This resulted in the District receiving approximately \$1 million in excess basic school support over this two year period. The portion of the overpayment that remains outstanding at June 30, 2016, \$985,997, is reported in the governmental fund financial statements as a fund liability. The District is in negotiations to establish terms of repayment.

CAPITAL LEASES

The District entered into a lease agreement as lessee for financing the acquisition of custodial equipment and related supplies. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the net present value of its future minimum lease payments as of inception date. During the fiscal year, capital lease obligations decreased from \$12,996 to \$7,135, net of current year principal paid. The leased equipment has a cost of \$20,200 and has been fully depreciated as of June 30, 2016. The capital lease obligation is paid from the General Fund.

Future minimum lease obligations are as follows:

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<hr/>	<hr/>	<hr/>	<hr/>
2017	\$ 7,135	\$ 789	\$ 7,924
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

VERNONIA SCHOOL DISTRICT NO. 47J
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

LONG-TERM DEBT

The following is a summary of long-term debt transactions during the year ended June 30, 2016:

<u>Issue Date</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2015</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2016</u>	<u>Amounts Due in One Year</u>
Certificates of participation						
July 1, 2004	\$ 995,000	\$ 545,000	\$ -	\$ 50,000	\$ 495,000	\$ 50,000
Qualified zone academy bonds						
August 30, 2005	487,660	183,989	-	30,434	153,555	29,563
General obligation bonds						
Series 2010	13,000,000	12,360,000	-	235,000	12,125,000	260,000
Qualified school construction bonds						
Series 2010-B	3,400,000	2,415,000	-	200,000	2,215,000	200,000
Total bonds		15,503,989	-	515,434	14,988,555	539,563
Issuance premium		316,105	-	63,221	252,884	-
Total bonds payable		15,820,094	-	578,655	15,241,439	539,563
Notes payable						
Oregon Cool Schools Loan L00864	1,000,000	859,681	-	57,263	802,418	-
Oregon Cool Schools Loan L00881	1,237,342	1,143,559	-	67,253	1,076,306	-
Total notes		2,003,240	-	124,516	1,878,724	-
Early retirement incentive		7,796	23,990	11,990	19,796	19,796
Total long term debt		<u>\$ 17,831,130</u>	<u>\$ 23,990</u>	<u>\$ 715,161</u>	<u>\$ 17,139,959</u>	<u>\$ 559,359</u>

Certificates of participation - issued July 2004, due in annual installments of \$35,000 to \$75,000, plus interest paid semi-annually at 1.80% to 5.15% through 2024.

\$ 495,000

Qualified zone academy bonds, series 2005 - issued August 2005, due in annual installments of principle and interest of \$25,565 through 2021.

153,555

General obligation bonds, series 2010 - issued March 2010 due in annual installments of \$110,000 to \$1,165,000, plus interest paid semi-annually at 3.00% to 4.25% through 2035.

12,125,000

Qualified school construction bonds, series 2010-B - issued October 2010 due in annual installments of \$195,000 to \$205,000, plus interest paid semi-annually at 5.05% through 2027. A portion of the interest is paid through a subsidy from the federal government.

2,215,000

Issuance premiums - 2010 series bond, amortized semi-annually through 2035.

252,884

Oregon Cool Schools loan - Entered into June, 2012 with annual installments of principal and interest at 3.25% through October, 2027. Two year forbearance agreement was approved in May 2016.

802,418

Oregon Cool Schools loan - Entered into June, 2013 with annual installments of principal and interest at 3.5% through January, 2029. Two year forbearance agreement was approved in May 2016.

1,076,306

Early retirement incentive.

19,796

\$ 17,139,959

VERNONIA SCHOOL DISTRICT NO. 47J
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 539,563	\$ 621,415	\$ 1,160,978
2018	573,716	608,388	1,182,104
2019	731,697	655,444	1,387,141
2020	770,311	635,890	1,406,201
2021	814,104	614,659	1,428,763
2022 - 2026	4,517,058	2,632,824	7,149,882
2027 - 2031	4,710,830	1,702,868	6,413,698
2032 - 2035	4,210,000	544,500	4,754,500
	<u>\$ 16,867,279</u>	<u>\$ 8,015,988</u>	<u>\$ 24,883,267</u>

Outstanding bonds are direct obligations and pledge the full faith and credit of the District. The District issues general obligation bonds to provide funds for the acquisition and construction of District school facilities. The general obligation bonds will be paid from general property tax revenues from the Debt Service Fund. The certificates of participation, the qualified zone academy bonds, and notes payable are paid from resources transferred into the Debt Service Fund from the General Fund.

INTERFUND ACTIVITY

The District completed the following interfund transactions during the year ended June 30, 2016:

	<i>Transfers In</i>	<i>Transfers Out</i>
General	\$ -	\$ 378,010
Special revenue	44,983	-
Debt service	333,027	-
	<u>\$ 378,010</u>	<u>\$ 378,010</u>

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

The General Fund transferred \$44,983 to the Special Revenue Fund to cover expenditures and \$333,027 to the Debt Service Fund for principal and interest payments.

PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employee defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

PERS Pension (Chapter 238)

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

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

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

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

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

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

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

PENSION PLAN (Continued)

Oregon Public Service Retirement Plan Pension Program (OPSRP DB)

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

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 OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

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

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

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

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2016 were \$631,607, excluding amounts to fund employer specific liabilities.

VERNONIA SCHOOL DISTRICT NO. 47J
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

PENSION PLAN (Continued)

At June 30, 2016, the District reported a net pension liability of \$3,139,627 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2013, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2013, the District's proportion was .05 percent.

	<u><i>Deferred Outflow of Resources</i></u>	<u><i>Deferred (Inflow) of Resources</i></u>
Difference between expected and actual experience	\$ 169,305	\$ -
Changes in assumptions	-	(203,075)
Net difference between projected and actual earnings on pension plan investments	-	(658,137)
Changes in proportion and differences between District contributions and proportionate share of contributions	-	(134,742)
Subtotal - Amortized Deferrals (below)	169,305	(995,954)
District contributions subsequent to measurement date	631,607	-
Net deferred outflow (inflow) of resources	<u>\$ 800,912</u>	<u>\$ (995,954)</u>

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

<u><i>Year ending June 30,</i></u>	<u><i>Amount</i></u>
2017	\$ (358,670)
2018	(358,670)
2019	(358,670)
2020	253,246
Thereafter	(3,885)
Total	<u>\$ (826,649)</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016. Oregon PERS produces an independently audited CAFR which can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx.

VERNONIA SCHOOL DISTRICT NO. 47J
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

PENSION PLAN (Continued)

Actuarial Valuations

The employer contribution rates effective July 1, 2015 through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier 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, 2013
Measurement date	June 30, 2015
Experience study	2014, published September 2015
Actuarial cost method	Entry age normal
Actuarial Assumptions	
Inflation Rate	2.75%
Long-term expected rate of return	7.75%
Discount rate	7.75%
Projected salary increases	3.75%
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

Source: June 30, 2015 PERS CAFR; page 57

PENSION PLAN (Continued)

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2014.

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

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

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

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

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

(Source: June 30, 2015 PERS CAFR; page 58)

VERNONIA SCHOOL DISTRICT NO. 47J
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

PENSION PLAN (Continued)

Assumed asset allocation

Asset Class/Strategy	OIC Policy Range	Current Year Target
Cash	0.0 - 3.0%	0.0%
Debt Securities	15.0 - 25.0	20.0
Public Equity	32.5 - 42.5	37.5
Real Estate	9.5 - 15.5	12.5
Private Equity	16.0 - 24.0	20.0
Alternative Equity	0.0 - 10.0	10.0
Opportunity Portfolio	0.0 - 3.0	0.0
Total		100.0%

(Source: June 30, 2015 PERS CAFR; page 76)

Long-Term Expected Rate of Return

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

Asset Class	Target Allocation *	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	7.20%	4.70%	4.50%	6.60%
Short-Term Bonds	8.00	3.76	3.70	3.45
Intermediate-Term Bonds	3.00	4.23	4.10	5.15
High Yield Bonds	1.80	7.21	6.66	11.10
Large Cap US Equities	11.65	8.60	7.20	17.90
Mid Cap US Equities	3.88	9.38	7.30	22.00
Small Cap US Equities	2.27	10.38	7.45	26.40
Developed Foreign Equities	14.21	8.73	6.90	20.55
Emerging Market Equities	5.49	11.51	7.40	31.70
Private Equity	20.00	11.95	8.26	30.00
Hedge Funds/Absolute Return	5.00	6.46	6.01	10.00
Real Estate (Property)	13.75	7.27	6.51	13.00
Real Estate (REITS)	2.50	8.41	6.76	19.45
Commodities	1.25	7.71	6.07	19.70
Assumed Inflation - Mean			2.75%	2.00%

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 18, 2012, and the revised allocation adopted at the June 26, 2013 OIC Meeting.

(Source: June 30, 2015 PERS CAFR; page 57; Table 29)

PENSION PLAN (Continued)

Sensitivity - Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Discount Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
District's proportionate share of the net pension liability (asset)	\$ 7,577,373	\$ 3,139,627	\$ (600,227)

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

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

OPSRP Individual Account Program (OPSRP IAP)

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

Pension Benefits – An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

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

Contributions – The District pays or “picks up” 6 percent of the employees’ covered payroll. The District paid \$182,972 in employee contributions for the year ended June 30, 2016.

OTHER POSTEMPLOYMENT BENEFITS (OPEBs)

Retirement Health Insurance Account

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

Funding Policy – Participating school districts are contractually required to contribute at a rate assessed each year by the OPERS, currently 0.53% of annual covered OPERF payroll and 0.45% of covered OPSRP payroll. The OPERS Board of Trustees sets the rates based on the annual required contribution (ARC) of the employers, 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 years ended June 30, 2016, 2015, and 2014 were \$16,268, \$16,041, and \$15,869, respectively, which equaled the required contributions each year.

Postemployment Health Care Benefits

Description – The District, as a result of collective bargaining agreements, offers postemployment health care benefits for qualified employees as described in the summary of significant accounting policies section of this report.

Funding Policy – The District provides payments in accordance with current employee contracts on a pay-as-you-go basis. At June 30, 2016, the District was providing early retirement incentive health care benefits to three former employees.

During the year ended June 30, 2016, governmental fund expenditures related to early retirement insurance benefits totaled \$11,990.

Expenditures are recorded in the governmental funds as the related insurance premiums are paid. The present value of estimated insurance premiums is recorded in the Statement of Net Position, however any liability related to the implicit subsidy for retiree health insurance has not been recorded in the Statement of Net Position.

RISK MANAGEMENT

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

COMMITMENTS AND CONTINGENCIES

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

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

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Oregon law prohibits expenditures in excess of board approved appropriations. The board approves appropriations for each fund by major function. For the year ended June 30, 2016, expenditures exceeded appropriations as follows:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
<i>General Fund</i>			
Debt service	\$ 7,924	\$ 8,023	\$ (99)
<i>Debt Service</i>			
Support services	-	400	(400)

NEW PRONOUNCEMENTS

For the fiscal year ended June 30, 2016, the District implemented the following new accounting standards:

GASB Statement No. 72 “Fair Value Measurement and Application.” The statement provides guidance on determining, accounting for, and reporting fair value measurements.

GASB Statement No. 76 “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. This statement supersedes Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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

NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 73 “Pension Transition for Contributions Made Subsequent to the Measurement Date Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments that are not within the scope of GASB Statement No. 68, extending that approach to all pensions. The statement is effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” This statement replaces Statement No. 46, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, as amended, and Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans”, as amended, and Statement No. 50, “Pension Disclosures”. This statement is effective for financial statement periods beginning after June 15, 2016.

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The statement is effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 77, “Tax Abatement Disclosures,” addresses the disclosure requirements for governments that have tax abated properties in their jurisdiction. It will require governments to disclose the a description of the tax abatement program, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of the tax abatement agreement. The statement is effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meet certain criteria. The statement is effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The statement is effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 80, “Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14,” amends the blending requirements for the financial statement presentation of component units of all state and local governments. The statement is effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 81, “Irrevocable Split-Interest Agreement,” requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreement that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The statement is effective for fiscal years beginning after December 15, 2016.

VERNONIA SCHOOL DISTRICT NO. 47J
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73," addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contributions requirements. The statement is effective for fiscal years beginning after June 15, 2016.

SUBSEQUENT EVENTS

On July 14, 2016, the District issued Series 2016 GO Refunding Bonds in the amount of \$12,804,322, the proceeds of which were used to advance refund certain maturities of the District's Series 2010 G.O. Bonds and pay related issuance costs.

REQUIRED SUPPLEMENTARY INFORMATION

VERNONIA SCHOOL DISTRICT NO. 47J

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR PERS
YEAR ENDED JUNE 30, 2016**

<u>Year Ended June 30,</u>	<u>Employer's proportion of the net pension liability (NPL)</u>	<u>Employer's proportionate share of the net pension liability (NPL)</u>	<u>Employer's covered payroll</u>	<u>NPL as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2016	0.05%	\$ 3,139,627	\$ 2,903,530	108%	91.9%
2015	0.07%	(1,507,622)	2,859,997	-53%	103.6%
2014	0.07%	3,394,170	3,144,356	108%	92.0%

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

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

VERNONIA SCHOOL DISTRICT NO. 47J
SCHEDULE OF CONTRIBUTIONS FOR PERS
YEAR ENDED JUNE 30, 2016

<i>Year Ended June 30,</i>	<i>Statutorily required contribution</i>	<i>Contributions in relation to the statutorily required contribution</i>	<i>Contribution deficiency (excess)</i>	<i>Employer's covered payroll</i>	<i>Contributions as a percent of covered payroll</i>
2016	\$ 631,607	\$ 631,607	\$ -	\$ 2,923,746	21.6%
2015	618,679	618,679	-	2,903,530	21.3%
2014	564,335	564,335	-	2,859,997	19.7%

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

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

VERNONIA SCHOOL DISTRICT NO. 47J
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>	<i>Budget to GAAP Differences</i>	<i>Actual GAAP Basis</i>
	<i>Original</i>	<i>Final</i>				
REVENUES						
Property taxes	\$ 2,205,000	\$ 2,205,000	\$ 2,261,310	\$ 56,310	\$ -	\$ 2,261,310
Intergovernmental						
Intermediate sources	67,992	67,992	76,035	8,043	-	76,035
State sources	7,583,763	7,783,763	3,752,625	(4,031,138)	-	3,752,625
Charges for services	34,000	34,000	41,030	7,030	-	41,030
Contributions	8,500	8,500	43,137	34,637	83,430	126,567
Investment earnings	10,000	10,000	22,550	12,550	-	22,550
Miscellaneous	102,100	102,100	183,095	80,995	-	183,095
<i>Total Revenues</i>	10,011,355	10,211,355	6,379,782	(3,831,573)	83,430	6,463,212
EXPENDITURES						
Current						
Instruction	3,703,460	3,653,460	3,649,055	4,405	-	3,649,055
Support services	3,004,630	3,004,630	2,697,692	306,938	-	2,697,692
Facilities acquisition and construction	40,000	100,000	79,829	20,171	(24,212)	55,617
Debt service						
Principal	4,815	4,815	5,960	(1,145)	-	5,960
Interest	3,109	3,109	2,063	1,046	-	2,063
Capital outlay	-	-	-	-	107,642	107,642
Operating contingency	146,551	146,551	-	146,551	-	-
<i>Total Expenditures</i>	6,902,565	6,912,565	6,434,599	477,966	83,430	6,518,029
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,108,790	3,298,790	(54,817)	(3,353,607)	-	(54,817)
OTHER FINANCING SOURCES (USES)						
Transfers out	(2,792,790)	(3,292,790)	(378,010)	2,914,780	-	(378,010)
Sale of/or compensation for loss of assets	-	-	1,581	1,581	-	1,581
<i>Total Other Financing Sources (Uses)</i>	(2,792,790)	(3,292,790)	(376,429)	2,916,361	-	(376,429)
NET CHANGE IN FUND BALANCE	316,000	6,000	(431,246)	(437,246)	-	(431,246)
FUND BALANCE, beginning	784,000	1,094,000	1,073,384	(20,616)	-	1,073,384
FUND BALANCE, ending	\$ 1,100,000	\$ 1,100,000	\$ 642,138	\$ (457,862)	\$ -	\$ 642,138

VERNONIA SCHOOL DISTRICT NO. 47J
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2016

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>	<i>Budget to GAAP Differences</i>	<i>Actual GAAP Basis</i>
	<i>Original</i>	<i>Final</i>				
REVENUES						
Intergovernmental						
State sources	\$ 2,500	\$ 2,500	\$ 7,283	\$ 4,783	\$ -	\$ 7,283
Federal sources	642,412	678,112	545,892	132,220	-	545,892
Charges for services	314,000	314,000	271,935	42,065	-	271,935
Contributions	1,000	1,000	-	1,000	-	-
Miscellaneous	1,000	9,000	725	8,275	-	725
<i>Total Revenues</i>	<u>960,912</u>	<u>1,004,612</u>	<u>825,835</u>	<u>188,343</u>	<u>-</u>	<u>825,835</u>
EXPENDITURES						
Current						
Instruction	582,597	592,597	542,873	49,724	(11,272)	531,601
Support services	37,778	62,778	41,913	20,865	-	41,913
Enterprise and community services	413,537	418,119	284,479	133,640	-	284,479
Capital outlay	-	-	-	-	11,272	11,272
<i>Total Expenditures</i>	<u>1,033,912</u>	<u>1,073,494</u>	<u>869,265</u>	<u>204,229</u>	<u>-</u>	<u>869,265</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(73,000)</u>	<u>(68,882)</u>	<u>(43,430)</u>	<u>(15,886)</u>	<u>-</u>	<u>(43,430)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	48,000	40,000	44,983	4,983	-	44,983
NET CHANGE IN FUND BALANCE	<u>(25,000)</u>	<u>(28,882)</u>	<u>1,553</u>	<u>30,435</u>	<u>-</u>	<u>1,553</u>
FUND BALANCE, beginning	<u>65,000</u>	<u>68,882</u>	<u>97,953</u>	<u>29,071</u>	<u>-</u>	<u>97,953</u>
FUND BALANCE, ending	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 99,506</u>	<u>\$ 59,506</u>	<u>\$ -</u>	<u>\$ 99,506</u>

BUDGETARY BASIS ACCOUNTING

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

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

OTHER SUPPLEMENTARY INFORMATION

VERNONIA SCHOOL DISTRICT NO. 47J
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2016

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>	<i>Budget to GAAP Differences</i>	<i>Actual GAAP Basis</i>
	<i>Original</i>	<i>Final</i>				
REVENUES						
Property taxes	\$ 840,313	\$ 840,313	\$ 764,296	\$ (76,017)	\$ -	\$ 764,296
Intergovernmental						
Federal sources	-	-	140,968	140,968	112,828	253,796
Contributions	409,014	409,014	27,900	(381,114)	-	27,900
Investment earnings	100	100	73	(27)	-	73
<i>Total Revenues</i>	<u>1,249,427</u>	<u>1,249,427</u>	<u>933,237</u>	<u>(316,190)</u>	<u>112,828</u>	<u>1,046,065</u>
EXPENDITURES						
Current						
Support services	-	-	400	(400)	-	400
Debt service						
Principal	634,907	634,907	635,959	(1,052)	4,869	640,828
Interest	716,810	716,810	706,337	10,473	107,959	814,296
<i>Total Expenditures</i>	<u>1,351,717</u>	<u>1,351,717</u>	<u>1,342,696</u>	<u>9,021</u>	<u>112,828</u>	<u>1,455,524</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(102,290)	(102,290)	(409,459)	(307,169)	-	(409,459)
OTHER FINANCING SOURCES (USES)						
Transfers in	102,290	102,290	333,027	230,737	-	333,027
NET CHANGE IN FUND BALANCE	-	-	(76,432)	(76,432)	-	(76,432)
FUND BALANCE, beginning	-	-	137,761	137,761	-	137,761
FUND BALANCE, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,329</u>	<u>\$ 61,329</u>	<u>\$ -</u>	<u>\$ 61,329</u>

VERNONIA SCHOOL DISTRICT NO. 47J
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
YEAR ENDED JUNE 30, 2016

Code	Function	Actual	Budget	Variance
LOCAL REVENUES				
1111	Current year's taxes	\$ 2,197,424	\$ 2,030,000	\$ 167,424
1112	Prior year's taxes	63,886	175,000	(111,114)
1310	Regular day school tuition	60	-	60
1500	Earnings on investments	22,550	10,000	12,550
1700	Extracurricular activities	40,970	34,000	6,970
1910	Rentals	7,262	9,100	(1,838)
1920	Contributions and donations from private sources	43,137	8,500	34,637
1960	Recovery of prior years' expenditure	20,353	1,000	19,353
1990	Miscellaneous	155,480	92,000	63,480
1000	<i>Total Local Revenues</i>	2,551,122	2,359,600	191,522
INTERMEDIATE REVENUES				
2101	County school funds	27,830	5,000	22,830
2105	Natural gas, oil, and mineral receipts	9,205	19,992	(10,787)
2199	Other intermediate sources	-	5,000	(5,000)
2200	Restricted revenue	39,000	38,000	1,000
2000	<i>Total Intermediate Revenues</i>	76,035	67,992	8,043
STATE REVENUES				
3101	State school fund - general support	2,593,024	7,033,222	(4,440,198)
3103	Common school fund	63,557	53,541	10,016
3104	State managed county timber	997,147	675,000	322,147
3199	Other unrestricted grants-in-aid	36,690	-	36,690
3299	Other restricted grants-in-aid	62,207	22,000	40,207
3000	<i>Total State Revenues</i>	3,752,625	7,783,763	(4,031,138)
OTHER SOURCES				
5300	Sale of/or compensation for loss of capital assets	1,581	-	1,581
5000	<i>Total Other Sources</i>	1,581	-	1,581
5400	FUND BALANCE, Beginning of year	1,073,384	1,094,000	(20,616)
6000	<i>Total Resources</i>	\$ 7,454,747	\$ 11,305,355	\$ (3,850,608)

VERNONIA SCHOOL DISTRICT NO. 47J
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND (Continued)
YEAR ENDED JUNE 30, 2016

<u>Code</u>	<u>Function</u>	<u>100</u> <u>Salaries</u>	<u>200</u> <u>Employee</u> <u>Benefits</u>	<u>300</u> <u>Purchased</u> <u>Services</u>
INSTRUCTION				
1100	Regular programs			
1111	Primary, K-3	\$ 602,097	\$ 348,869	\$ 28,168
1121	Middle/junior high programs	364,581	212,924	21,756
1122	Middle/junior high school extracurricular	19,344	5,601	2,761
1131	High school programs	554,831	308,978	31,733
1132	High school extracurricular	71,796	14,129	44,375
1200	Special programs			
1220	Programs for students with mental disabilities	-	-	17,873
1250	Resource rooms	474,690	373,312	2,284
1260	Early intervention	-	-	1,707
1270	Educationally disadvantaged			
1271	Remediation	55,763	38,258	13,624
1000	<i>Total Instruction</i>	2,143,102	1,302,071	164,281
SUPPORT SERVICES				
2100	Students			
2110	Attendance and social work services	23,823	23,085	-
2120	Guidance services	108,068	63,106	454
2130	Health services	-	-	10,512
2140	Psychological services	24,647	7,893	372
2150	Speech pathology and audiology services	-	-	179
2190	Service direction, student support services	8,501	3,405	-
2200	Instructional staff	119,183	65,616	8,774
2300	General administration	167,874	75,818	56,740
2400	School administration	208,935	118,017	32,581
2500	Business			
2520	Fiscal services	57,628	36,789	10,954
2540	Operation and maintenance of plant services	126,158	72,791	193,955
2550	Student transportation services	-	-	735,297
2600	Central activities			
2660	Technology services	9,796	7,170	98,404
2700	Supplemental retirement program	-	12,651	-
2000	<i>Total Support Services</i>	854,613	486,341	1,148,222
FACILITIES ACQUISITION AND CONSTRUCTION				
4150	Building acquisition, construction, and improvement services	-	-	22,958
4190	Other facilities construction services	-	-	56,336
4000	<i>Total Facilities Acquisition and Construction</i>	-	-	79,294
OTHER USES				
5100	Debt service	-	-	-
5200	Transfers of funds	-	-	-
5000	<i>Total Other Uses</i>	-	-	-
6000	OPERATING CONTINGENCY	-	-	-
7000	FUND BALANCE, End of year	-	-	-
8000	<i>Total Expenditures and Ending Balance</i>	\$ 2,997,715	\$ 1,788,412	\$ 1,391,797

<i>400 Supplies & Materials</i>	<i>500 Capital Outlay</i>	<i>600 Other Objects</i>	<i>700 Transfers</i>	<i>Actual Fund Total</i>	<i>Appropriations</i>	<i>Variance</i>
\$ 6,071	\$ -	\$ -	\$ -	\$ 985,205		
3,937	-	-	-	603,198		
255	-	-	-	27,961		
9,055	-	-	-	904,597		
15,752	-	2,055	-	148,107		
-	-	-	-	17,873		
2,004	-	-	-	852,290		
-	-	-	-	1,707		
-	-	472	-	108,117		
37,074	-	2,527	-	3,649,055	\$ 3,653,460	\$ 4,405
-	-	-	-	46,908		
425	-	-	-	172,053		
-	-	-	-	10,512		
2,813	-	-	-	35,725		
-	-	-	-	179		
-	-	-	-	11,906		
1,840	-	-	-	195,413		
7,724	-	17,303	-	325,459		
5,086	-	1,755	-	366,374		
1,473	-	3,905	-	110,749		
28,201	-	75,059	-	496,164		
100	-	-	-	735,397		
62,682	-	150	-	178,202		
-	-	-	-	12,651		
110,344	-	98,172	-	2,697,692	3,004,630	306,938
535	-	-	-	23,493		
-	-	-	-	56,336		
535	-	-	-	79,829	100,000	20,171
-	-	8,023	-	8,023		
-	-	-	378,010	378,010		
-	-	8,023	378,010	386,033	3,300,714	2,914,681
-	-	-	-	-	146,551	146,551
-	-	-	642,138	642,138	1,100,000	457,862
\$ 147,953	\$ -	\$ 108,722	\$ 1,020,148	\$ 7,454,747	\$ 11,305,355	\$ 3,850,608

VERNONIA SCHOOL DISTRICT NO. 47J
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) – SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2016

Code	Function	Actual	Budget	Variance
LOCAL REVENUES				
1600	Food service	\$ 62,923	\$ 69,000	\$ (6,077)
1700	Extracurricular activities	209,012	245,000	(35,988)
1920	Contributions and donations from private sources	-	1,000	(1,000)
1990	Miscellaneous	725	9,000	(8,275)
1000	<i>Total Local Revenues</i>	272,660	324,000	(51,340)
STATE REVENUES				
3102	State school fund - school lunch match	2,200	2,500	(300)
3120	Food Preparation and Dispensing Services	124	-	124
3299	Other restricted grants-in-aid	4,959	-	4,959
3000	<i>Total State Revenues</i>	7,283	2,500	4,783
FEDERAL REVENUES				
4300	Restricted revenue direct from the federal government	34,722	22,500	12,222
4500	Restricted revenue from the federal government through the state	491,987	640,612	(148,625)
4900	Revenue for/on behalf of the district	19,183	15,000	4,183
4000	<i>Total Federal Revenues</i>	545,892	678,112	(132,220)
OTHER SOURCES				
5200	Interfund transfers	44,983	40,000	4,983
5400	FUND BALANCE, Beginning of year	97,953	68,882	29,071
6000	<i>Total Resources</i>	<u>\$ 968,771</u>	<u>\$ 1,113,494</u>	<u>\$ (144,723)</u>

VERNONIA SCHOOL DISTRICT NO. 47J
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) – SPECIAL REVENUE FUND (Continued)
YEAR ENDED JUNE 30, 2016

<i>Code</i>	<i>Function</i>	<i>100</i> <i>Salaries</i>	<i>200</i> <i>Employee</i> <i>Benefits</i>	<i>300</i> <i>Purchased</i> <i>Services</i>
	<i>INSTRUCTION</i>			
1100	Regular programs			
1111	Primary, K-3	\$ 6,603	\$ 8,728	\$ -
1122	Middle/junior high school extracurricular	-	-	-
1131	High school programs	350	60	14,815
1132	High school extracurricular	-	-	-
1200	Special programs			
1250	Resource rooms	89,241	55,515	1,552
1260	Early intervention	-	-	4,432
1270	Educationally disadvantaged			
1272	Title IA/D	68,184	49,917	-
1280	Alternative education	16,362	14,449	2,079
1000	<i>Total Instruction</i>	180,740	128,669	22,878
	<i>SUPPORT SERVICES</i>			
2200	Instructional staff	20,156	7,203	3,647
2600	Central activities			
2660	Technology services	-	-	-
2000	<i>Total Support Services</i>	20,156	7,203	3,647
	<i>ENTERPRISE AND COMMUNITY SERVICES</i>			
3100	Food services			
3120	Food preparation and dispensing services	99,102	49,967	18,966
7000	<i>FUND BALANCE, End of year</i>	-	-	-
8000	<i>Total Expenditures and Ending Balance</i>	\$ 299,998	\$ 185,839	\$ 45,491

<i>400 Supplies & Materials</i>	<i>500 Capital Outlay</i>	<i>600 Other Objects</i>	<i>700 Transfers</i>	<i>Actual Fund Total</i>	<i>Appropriations</i>	<i>Variance</i>
\$ -	\$ -	\$ -	\$ -	\$ 15,331		
15,258	-	-	-	15,258		
5,587	-	-	-	20,812		
188,322	-	-	-	188,322		
102	-	-	-	146,410		
-	-	-	-	4,432		
48	-	-	-	118,149		
1,269	-	-	-	34,159		
210,586	-	-	-	542,873	\$ 592,597	\$ 49,724
10,507	-	-	-	41,513		
400	-	-	-	400		
10,907	-	-	-	41,913	62,778	20,865
114,217	-	2,227	-	284,479		
-	-	-	99,506	99,506	40,000	(59,506)
<u>\$ 335,710</u>	<u>\$ -</u>	<u>\$ 2,227</u>	<u>\$ 99,506</u>	<u>\$ 968,771</u>	<u>\$ 1,113,494</u>	<u>\$ 144,723</u>

VERNONIA SCHOOL DISTRICT NO. 47J
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) – DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2016

<i>Code</i>	<i>Function</i>	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
LOCAL REVENUES				
1111	Current year's taxes	\$ 730,939	\$ 810,313	\$ (79,374)
1112	Prior year's taxes	33,357	30,000	3,357
1500	Earnings on investments	73	100	(27)
1920	Contributions and donations from private sources	27,900	409,014	(381,114)
1000	<i>Total Local Revenues</i>	792,269	1,249,427	(457,158)
FEDERAL REVENUES				
4500	Restricted revenue from the federal government through the state	140,968	-	140,968
OTHER SOURCES				
5200	Interfund transfers	333,027	102,290	230,737
5400	FUND BALANCE, Beginning of year	137,761	-	137,761
6000	<i>Total Resources</i>	<u>\$ 1,404,025</u>	<u>\$ 1,351,717</u>	<u>\$ 52,308</u>

VERNONIA SCHOOL DISTRICT NO. 47J
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) – DEBT SERVICE FUND (Continued)
YEAR ENDED JUNE 30, 2016

<i>Code</i>	<i>Function</i>	<i>100</i> <i>Salaries</i>	<i>200</i> <i>Employee</i> <i>Benefits</i>	<i>300</i> <i>Purchased</i> <i>Services</i>
	SUPPORT SERVICES			
2500	Business			
2520	Fiscal services	\$ -	\$ -	\$ 400
	OTHER USES			
5100	Debt service	-	-	-
7000	FUND BALANCE, End of year	-	-	-
8000	<i>Total Expenditures and Ending Balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400</u>

<i>400 Supplies & Materials</i>	<i>500 Capital Outlay</i>	<i>600 Other Objects</i>	<i>700 Transfers</i>	<i>Actual Fund Total</i>	<i>Appropriations</i>	<i>Variance</i>
\$ -	\$ -	\$ -	\$ -	\$ 400	\$ -	\$ (400)
-	-	1,342,296	-	1,342,296	1,351,717	9,421
-	-	-	61,329	61,329	-	(61,329)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,342,296</u>	<u>\$ 61,329</u>	<u>\$ 1,404,025</u>	<u>\$ 1,351,717</u>	<u>\$ (52,708)</u>

OTHER SCHEDULES

VERNONIA SCHOOL DISTRICT NO. 47J

CONTINUING DISCLOSURE – TAXABLE PROPERTY VALUES AND OUTSTANDING GENERAL OBLIGATION DEBT CAPACITY

YEAR ENDED JUNE 30, 2016

Fiscal Year	Total Assessed Value	Urban Renewal Excess	Net Assessed Value	M5 Real Market Value	GO Bond Capacity (7.95% of RMV)	GO Bonds Outstanding	Remaining Capacity
2016	\$ 480,865,903	\$ -	\$ 480,865,903	\$ 583,849,828	\$ 46,416,061	12,360,000	\$ 34,056,061
2015	456,757,487	-	456,757,487	542,435,560	43,123,627	12,575,000	30,548,627
2014	441,241,742	-	441,241,742	515,741,506	41,001,450	12,750,000	28,251,450
2013	452,813,178	-	452,813,178	532,262,591	42,314,876	12,890,000	29,424,876
2012	450,278,376	-	450,278,376	532,815,788	42,358,855	13,000,000	29,358,855

Columbia County

Fiscal Year	Total Assessed Valuation	Urban Renewal Excess	AV Used to Calculate Rates	M5 Real Market Value
2016	\$ 474,335,093	\$ -	\$ 474,335,093	\$ 572,871,222
2015	450,539,627	-	450,539,627	532,002,985
2014	435,253,122	-	435,253,122	505,863,516
2013	447,084,358	-	447,084,358	522,898,041
2012	444,697,836	-	444,697,836	523,401,517

Washington County

Fiscal Year	Total Assessed Valuation	Urban Renewal Excess	AV Used to Calculate Rates	M5 Real Market Value
2016	\$ 6,530,810	\$ -	\$ 6,530,810	\$ 10,978,606
2015	6,217,860	-	6,217,860	10,432,575
2014	5,988,620	-	5,988,620	9,877,990
2013	5,728,820	-	5,728,820	9,364,550
2012	5,580,540	-	5,580,540	9,414,271

VERNONIA SCHOOL DISTRICT NO. 47J
CONTINUING DISCLOSURE – COUNTY TAX COLLECTION RECORD
YEAR ENDED JUNE 30, 2016

Columbia County
Tax Collections ⁽¹⁾

Fiscal Year	Percent Collected as of	
	Levy Year ⁽²⁾	6/30/2016 ⁽³⁾
2016	96.77%	96.77%
2015	96.59%	98.39%
2014	96.23%	99.13%
2013	95.50%	99.60%
2012	94.73%	99.86%

Washington County
Tax Collections ⁽¹⁾

Fiscal Year	Percent Collected as of	
	Levy Year ⁽²⁾	6/30/2016 ⁽³⁾
2016	98.33%	98.33%
2015	98.31%	99.10%
2014	98.01%	99.31%
2013	97.91%	99.52%
2012	97.52%	99.65%

(1) Percentage of total tax levy collection in the County. Pre-payment discounts are considered to be **collected** when outstanding taxes are calculated. The tax rates are before offsets.

(2) The percentage of taxes collected in the "year of levy" represents taxes collected in a single levy year, beginning July 1 and ending June 30.

(3) The percentage of taxes show in the column represents taxes collected cumulatively from July 1 of a given levy year through June 30, 2016.

VERNONIA SCHOOL DISTRICT NO. 47J
CONTINUING DISCLOSURE – MAJOR TAXPAYERS BY COUNTY
YEAR ENDED JUNE 30, 2016

Taxpayer	Business/Service	Tax	Assessed Value	Percent of Value
Portland Gen Elec Co	Electrical Utility	\$ 3,768,059	\$ 395,596,000	8.39%
Northwest Natural Gas Co	Natural Gas Utility	1,972,044	157,067,664	3.33%
United States Gypsum	Wall board	1,193,828	70,679,640	1.50%
Longview Timberlands LLC	Wood Products	586,990	44,716,684	0.95%
Dyno Nobel, Inc.	Wood Products	56,119	39,858,000	0.85%
Clatskanie PUD	Electrical Utility	493,395	34,826,500	0.74%
Cascade Kelly Holdings LLC	Manufacturing	407,041	36,036,790	0.76%
Armstrong World Industries	Ceiling Tiles	384,079	24,816,810	0.53%
Columbia River PUD	Paper Manufacturing	354,394	17,395,120	0.37%
Portland General Electric	Electrical Utility	313,054	15,201,800	0.32%
Subtotal - ten of County's largest taxpayers			836,195,008	17.73%
All other County's taxpayers			3,879,494,813	82.27%
Total County			<u>\$ 4,715,689,821</u>	<u>100.00%</u>

Major Taxpayers - Washington County

Fiscal Year 2016

Taxpayer	Business/Service	Tax	Assessed Value	Percent of Value
Intel Corporation	Semiconductors	\$ 35,768,811	\$ 1,268,747,218	2.23%
Nike, Inc.	Athletic Shoes and Apparel	11,037,227	588,016,502	1.03%
Portland General Electric	Electrical Utility	7,466,816	438,565,853	0.77%
Pacific Realty Associates	Real Estate Investment	5,512,550	305,716,500	0.54%
Comcast Corporation	Telecommunications	5,503,068	323,845,870	0.57%
Northwest Natural Gas Co.	Natural Gas Utility	4,867,602	313,709,270	0.55%
Frontier Communications	Telecommunications	3,028,795	242,410,000	0.43%
Verizon Communications	Telecommunications	2,865,580	156,283,590	0.27%
Genentech Inc.	Medicine research/manufacturing	2,689,446	147,694,000	0.26%
PPR Washington Square LLC	Shopping mall	2,431,576	138,610,228	0.24%
Subtotal - ten of County's largest taxpayers			3,923,599,031	6.89%
All other County's taxpayers			52,987,293,209	93.11%
Total County			<u>\$ 56,910,892,240</u>	<u>100.00%</u>

VERNONIA SCHOOL DISTRICT NO. 47J

**CONTINUING DISCLOSURE – MAJOR TAXPAYERS BY COUNTY, WITHIN DISTRICT BOUNDARIES
YEAR ENDED JUNE 30, 2016**

Taxpayer	Business/Service	Tax	Assessed Value	Percent of Value
Northwest Natural Gas Co	Natural Gas Utility	\$ 1,417,100	\$ 120,736,902	25.45%
Longview Timberlands LLC	Wood Products	316,653	24,413,734	5.15%
Weyerhaeuser Company	Wood Products	145,009	11,056,153	2.33%
Olympic Forest Products Co	Wood Products	101,423	8,495,780	1.79%
Orm Timber Fund (REIT) III Inc	Wood Products	79,577	6,119,114	1.29%
Bascom Pacific LLC	Wood Products	76,062	5,996,121	1.26%
Enerfin Resources Northwest LP	Natural Gas Development	64,693	5,419,100	1.14%
Longview Fibre	Wood Products	63,282	4,878,453	1.03%
West Oregon Electric Coop Inc	Electrical Utility	58,476	3,560,840	0.75%
Portland General Electric Co	Electrical Utility	45,794	3,836,000	0.81%
Subtotal - ten of County's largest taxpayers			194,512,197	41.01%
All other County's taxpayers			279,822,896	58.99%
Total County			<u>\$ 474,335,093</u>	<u>100.00%</u>

Major Taxpayers - Washington County - Vernonia School District

Fiscal Year 2016

Taxpayer	Business/Service	Tax	Assessed Value	Percent of Value
Longview Fibre Company	Wood Products	\$ 34,657	\$ 2,706,280	41.44%
Stimson Lumber Co	Wood Products	5,861	459,310	7.03%
Buckley, Peggy Lu	Individuals	4,262	321,920	4.93%
Schmidlin, Michael W and Susan M	Individuals	3,591	280,780	4.30%
Brown, Lois Louise	Individuals	2,748	218,110	3.34%
Schmidlin, Leonard A and Betty J	Individuals	2,490	187,790	2.88%
McPherson, David	Individuals	2,316	183,040	2.80%
Sewell, Aaron J	Individuals	1,747	132,000	2.02%
Wetzel Sunset LLC	Individuals	1,743	141,150	2.16%
Stringfield, Robert and Luletta D	Individuals	1,703	137,930	2.11%
			4,768,310	73.01%
			1,762,500	26.99%
			<u>\$ 6,530,810</u>	<u>100.00%</u>

VERNONIA SCHOOL DISTRICT NO. 47J
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES -
VERNONIA STUDENT ACTIVITY FUND
YEAR ENDED JUNE 30, 2016

	Balance July 1, 2015	Receipts	Disbursements	Transfers	Balance June 30, 2016
Art-Pay to Play	\$ 20	\$ 50	\$ -	\$ -	\$ 70
Art Fund	3,150	808	1,371	-	2,587
Ashland	(55)	-	-	-	(55)
Athletics-Pay to Play	35	85	-	-	120
Athletics Fund	4,051	6,545	7,434	-	3,162
Australia	355	-	-	-	355
Balloon Company	9,091	7,840	4,889	-	12,041
Band- Pay to Play	-	75	-	-	75
Band Disneyland 2012	103	-	-	-	103
Band Fund	2,679	1,584	2,780	-	1,484
Band Individual	575	-	-	-	575
Baseball	774	-	691	-	83
Book Fair	-	1,606	1,564	-	42
Boys Basketball	1,089	2,698	2,525	-	1,262
CAD Scholarship	1,161	-	-	-	1,161
Cheerleading	782	3,929	4,077	-	634
Class of 2014	1,480	-	-	-	1,480
Class of 2015	426	-	-	-	426
Class of 2016	1,542	1,831	2,608	-	764
Class of 2017	796	5,258	4,489	-	1,565
Class of 2018	407	1,683	1,195	-	894
Class of 2019	-	667	463	-	204
Classroom Grant	4	-	-	-	4
Close Up 2016	196	-	-	(196)	-
Concessions	8,355	9,375	7,219	-	10,511
Counseling	136	15	-	-	151
Cross Country	(68)	-	-	-	(68)
Digital Arts	888	2,583	1,182	-	2,289
Doernbecher	-	1,329	1,329	-	-
Drama	15	-	-	-	15
EBY Scholarship	425	(425)	-	-	-
Engineering	81	-	-	-	81
Equestrian Club	1,153	11,276	12,319	-	110
Europe Trip	111	-	-	-	111
Football	604	1,225	434	-	1,395
Forestry	1,988	700	1,885	-	803
FTC Robotics	775	(225)	369	-	181
Game Club	25	-	-	-	25
Gate	-	2,384	2,384	-	-
Girls Basketball	758	1,753	2,137	-	374
Golf	739	-	430	-	309
Grad Nite Account	474	5,500	3,866	-	2,108
Graduated Classes	752	-	-	-	752
Health	(31)	-	-	-	(31)
International Club	(186)	-	-	-	(186)
Library	216	199	200	-	215
Lock / Locker	2,972	825	-	-	3,797
Mat Pack	444	345	670	-	119
Memolog	(2,814)	5,396	5,674	-	(3,092)
MS	25,241	18,132	15,258	196	28,311
National Honor Society	100	638	475	-	263

VERNONIA SCHOOL DISTRICT NO. 47J
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES -
VERNONIA STUDENT ACTIVITY FUND (Continued)
YEAR ENDED JUNE 30, 2016

	Balance July 1, 2015	Receipts	Disbursements	Transfers	Balance June 30, 2016
OSSOM	\$ 388	\$ -	\$ -	\$ -	\$ 388
Pink	97	-	-	-	97
Randy Shaw Memorial Scholarship	2,000	-	-	-	2,000
Reader Board	2,338	-	-	-	2,338
Robbie Baska Memorial	2	-	-	-	2
Robotics	144	894	507	-	531
Senior Trip	-	502	(30)	-	532
Senior Trip 2012	20	-	-	-	20
Senior Trip 2013	190	-	-	-	190
Senior Trip 2015	111	-	-	-	111
Senior Trip 2016	409	50,302	50,711	-	-
Shop-Pay to Play	20	(20)	-	-	-
Shop Fund	287	-	101	-	186
Sisters Memorial Scholarship	1,756	2,045	1,200	-	2,601
Softball	355	3,189	3,377	-	167
Spanish	204	-	-	-	204
Student Body	199	5,651	4,396	-	1,455
Table Replacement	75	144	144	-	75
Towel	2,308	-	-	-	2,308
Track	207	1,774	1,143	-	838
VEF	-	90	-	-	90
Volleyball	(1,559)	3,487	4,023	-	(2,095)
WGS Sunshine	714	400	574	-	540
Wrestling	1,295	2,965	1,950	-	2,310
Zack Rumbolz Memorial Scholarship	5,580	843	4,500	-	1,923
	<u>88,954</u>	<u>167,949</u>	<u>162,516</u>	<u>-</u>	<u>94,387</u>
Amy Kamholz Scholarship	2,303	3	-	-	2,306
Total	<u>\$ 91,257</u>	<u>\$ 167,952</u>	<u>\$ 162,516</u>	<u>\$ -</u>	<u>\$ 96,693</u>

VERNONIA SCHOOL DISTRICT NO. 47J
DEPARTMENT OF EDUCATION SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2016

A. Energy Bill for Heating - All Funds:

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

	Objects 325 & 326
Function 2540	\$ 120,532
Function 2550	\$ -

B. Replacement of Equipment – General Fund:

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

\$	-
----	---

Exclude these functions:

1113, 1122 & 1132 Co-curricular Activities
 1140 Pre-Kindergarten
 1300 Continuing Education
 1400 Summer School

Exclude these functions:

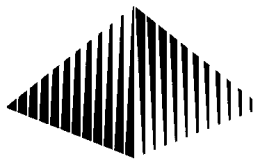
4150 Construction
 2550 Pupil Transportation
 3100 Food Service
 3300 Community Services

VERNONIA SCHOOL DISTRICT NO. 47J
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

<i>Federal Grantor/Pass Through Grantor/ Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass Through Entity Identifying Number</i>	<i>Expenditures</i>
<i>U.S. Department of Education</i>			
Direct:			
Rural Education	84.358A	S358A137748	\$ 23,458
Passed through Oregon Department of Education:			
Title I Grants to Local Educational Agencies	84.010	36099	118,506
Title I Grants to Local Educational Agencies	84.010	37583	25,869
<i>Subtotal Title I, Part A</i>			<u>144,375</u>
Special Education - Grants to States	84.027	36986	110,194
Special Education - Grants to States	84.027	38020	1,637
Special Education - Grants to States	84.027	38456	2,122
Special Education - Grants to States	84.027	38753	460
Special Education - Grants to States	84.027	40256	51
Special Education - Preschool Grants	84.173	33553	1,403
Special Education - Preschool Grants	84.173	37270	3,029
<i>Subtotal Special Education Cluster (IDEA)</i>			<u>118,896</u>
SPIG - Personnel Development Grant Next Step	84.323	32746	2,000
SPIG - Personnel Development Grant Next Step	84.323	37338	6,357
<i>Subtotal Personal Development Grant Next Step</i>			<u>8,357</u>
Title IIA Improving Teacher Quality State Grants	84.367	36296	36,466
<i>Total U.S. Department of Education</i>			<u><u>331,552</u></u>
<i>U.S. Department of Agriculture</i>			
Passed through Oregon Department of Education:			
School Breakfast Program	10.553	N/A	30,763
National School Lunch Program	10.555	N/A	117,091 *
Special Milk Program for Children	10.556	N/A	252
Summer Food Service Program for Children	10.559	N/A	20,811 *
<i>Subtotal Child Nutrition Cluster</i>			<u>168,917</u>
<i>Total U.S. Department of Agriculture</i>			<u>168,917</u>
<i>U.S. Department of Homeland Security</i>			
Passed through Oregon Military Department:			
Disaster Grants - Public Assistance	97.036	N/A	140,968
<i>U.S. Department of Health & Human Services</i>			
Passed through Oregon Department of Human Services:			
Youth Transition Program			
Vocation Rehabilitation Grants to States	84.126	149090	34,159
<i>U.S. Department of the Interior</i>			
<i>Bureau of Land Management</i>			
Direct:			
Secure Rural Schools and Community Self-Determination - Native Plant Nursery	15.234	L12AC20572	3,000
Secure Rural Schools and Community Self-Determination - Native Plant Nursery	15.234	L12AC20572	8,264
<i>Total U.S. Department of the Interior</i>			<u>11,264</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 686,860</u></u>
RECONCILIATION TO FEDERAL REVENUE:			
<i>Federal expenditures per schedule above</i>			\$ 686,860
<i>Federal assistance not required to be included on the SEFA - interest subsidies</i>			112,828
<i>Federal Revenue per Statement of Revenues, Expenditures, and Changes in Fund Balances</i>			<u><u>\$ 799,688</u></u>

* Includes non-cash commodity awards

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

School Board
Vernonia School District No. 47J
1201 Texas Avenue
Vernonia, Oregon 97064

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Vernonia School District No. 47J, Columbia County, Oregon (the District) as of and for the year ended June 30, 2016, and have issued our report thereon dated December 7, 2016.

Compliance and Other Matters

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

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

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

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

- Expenditures exceeded appropriations as described in the notes to the financial statements.

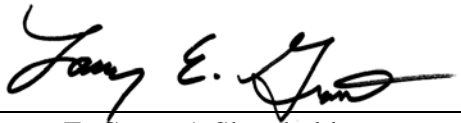
Internal Control

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

Restriction on Use

This report is intended solely for the information and use of the school board and management of the Vernonia School District No. 47J and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

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

By: 
Larry E. Grant, A Shareholder
December 7, 2016