

GRANT COUNTY EDUCATION SERVICE DISTRICT
JOHN DAY, OREGON

**INDEPENDENT AUDITOR'S REPORT
and
FINANCIAL STATEMENTS**

For the Year Ended June 30, 2015



GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
BOARD OF DIRECTORS AND OFFICIALS
June 30, 2015

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>	<u>Term Ending</u>	<u>Title</u>
Devin Moan	At-Large	June 30, 2016	Chairperson
Vacant	At-Large	June 30, 2015	Director
Megan Brandsma	1	June 30, 2015	Director
Vacant	2	June 30, 2015	Director
Robert Cockrell	3	June 30, 2016	Vice-chair
Becky Tatum	4	June 30, 2015	Director
John Stearns	5	June 30, 2015	Director

ADMINISTRATIVE STAFF

Robert Waltenburg	Superintendent
Stacie Holmstrom	Deputy Clerk

ADDRESS

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John Day, OR 97845

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GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Grant County Education Service District
John Day, Oregon

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grant County Education Service District, John Day, Oregon (the district), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the district as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Effect of Adopting New Accounting Standards

As described in Note 1 to the financial statements, the district adopted the provisions of GASB Statement No. 68, Accounting and Reporting for Pensions (as amended by GASB 71). The opinion is not modified with the implementation of this GASB Statement.

Other Matters

Report on Summarized Comparative Information

We have previously audited the district's 2014 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived, except for the following, as discussed in Note 15. In the implementation of GASB 68, we have restated the prior year summarized totals in the Statement of Net Position to reflect the net pension liability and deferred outflow of resources. However, information is not available to appropriately restate the Statement of Activities.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis 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 schedules of PERS proportionate share of net pension liability and PERS contributions and the budget and actual schedule for the General Fund, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the district's basic financial statements. The accompanying budgetary comparison schedules and the supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental 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 supplemental 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 Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated December 28, 2015, on our consideration of the district's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the district's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 28, 2015, 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.

Oster Professional Group, CPA's, LLP

By Robert H. Armstrong

John Day, Oregon
December 28, 2015

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

As management of Grant County Education Service District (the district), we offer readers of the district's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements.

The district provides services to local school districts within Grant County. Services include: Special Education, Speech and Language, Cooperative Technology Purchasing, School Improvement Services, Technology Maintenance and Repair, Wireless Telecommunications System, Home School Registration/Notification, Substitute Teaching listing, Computer Training, and Deputy Clerk Services.

FINANCIAL HIGHLIGHTS

- ◆ In the government-wide statements, the district's assets exceeded its liabilities at June 30, 2015 by \$2,528,681. Of this amount, \$950,212 represents the district's net investment in capital assets, \$169,476 is restricted for special projects, and the balance, \$1,408,993, is unrestricted and is available to meet the district's ongoing obligations to citizens and creditors.
- ◆ The district's total net position increased by \$638,421.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of 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 at year end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether 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 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 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 in one category:

- ◆ Governmental activities. Most of the district's basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, and facilities acquisition and

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

construction. These activities are primarily financed through property taxes and other intergovernmental revenues.

The government-wide financial statements can be found on pages 13 through 15 of this report.

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. The district, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the district can be divided into two categories: governmental funds and internal service funds.

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

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

The district maintains 15 individual governmental budgetary funds. Information is presented separately in the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from 3 nonmajor budgetary funds are combined to be included with the General Fund (GAAP Reporting) and the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided as supplemental information.

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to Basic Financial Statements can be found on pages 20 through 36 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the major governmental fund budget to actual statements. Required Supplementary Information can be found on pages 38 through 40 of this report.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

The combining and individual fund schedules referred to earlier in connection with nonmajor governmental funds are presented as supplemental information on pages 52 through 55 of this report.

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, assets exceeded liabilities by \$2,528,681 at June 30, 2015.

Capital assets, which consist of the district's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 22.2 percent of total assets. The remaining assets consist mainly of investments, cash, grant and property taxes receivable, and net pension asset.

The district's liabilities consist entirely of current liabilities, which are comprised of payables on accounts and accrued liabilities.

Condensed Statement of Net Position at June 30, 2015

	<u>Governmental Activities</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current and other assets	\$ 3,048,997	\$ 2,011,702
Net pension asset	272,764	-
Capital assets	950,497	424,246
Total assets	<u>4,272,258</u>	<u>2,435,948</u>
Current liabilities	1,347,162	55,991
Net pension liability	-	614,085
Total liabilities	<u>1,347,162</u>	<u>670,076</u>
Deferred inflows of resources	<u>537,352</u>	<u>-</u>
Net position:		
Net investment in capital assets	950,212	424,246
Restricted for special projects	169,476	207,040
Unrestricted	<u>1,408,993</u>	<u>1,253,974</u>
Total net position	<u>\$ 2,528,681</u>	<u>\$ 1,885,260 *</u>

*As restated for GASB 68

Governmental Activities. During the current fiscal year, the district's net position increased by \$638,421. The key elements of the change in the district's net position for the year ended June 30, 2015 are as follows:

- ◆ Capital assets increased by over \$526 thousand after the reconstruction of the district office building due to damage caused by fire, as well as additional capital asset purchases.
- ◆ Revenues were significantly higher as a result of the recognition of insurance proceeds.
- ◆ Overall expenditures decreased by nearly \$175 thousand.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Condensed Statement of Activities
For the year ended June 30, 2015

	Governmental Activities	
	June 30, 2015	June 30, 2014
Revenues		
Program revenues		
Charges for services	\$ 295,632	\$ 230,074
Operating grants and contributions	851,692	697,246
General revenues		
Property taxes	1,995,567	1,846,421
Other unrestricted funds	46,949	283,948
Interest on investments	7,824	8,816
Other	36,814	27,000
Insurance proceeds	711,055	-
Total revenues	3,945,533	3,093,505
Expenses		
Instruction	652,348	592,409
Support services	1,411,706	1,751,368
Distributions to local districts	1,243,058	1,137,544
Total expenses	3,307,112	3,481,321
Increase in net position	638,421	(387,816)
Prior period adjustment	5,000	-
Net position – July 1	1,885,260	2,767,773
Cumulative effect of GASB 68 restatement	-	(494,697)
Net position – June 30	\$ 2,528,681	\$ 1,885,260

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

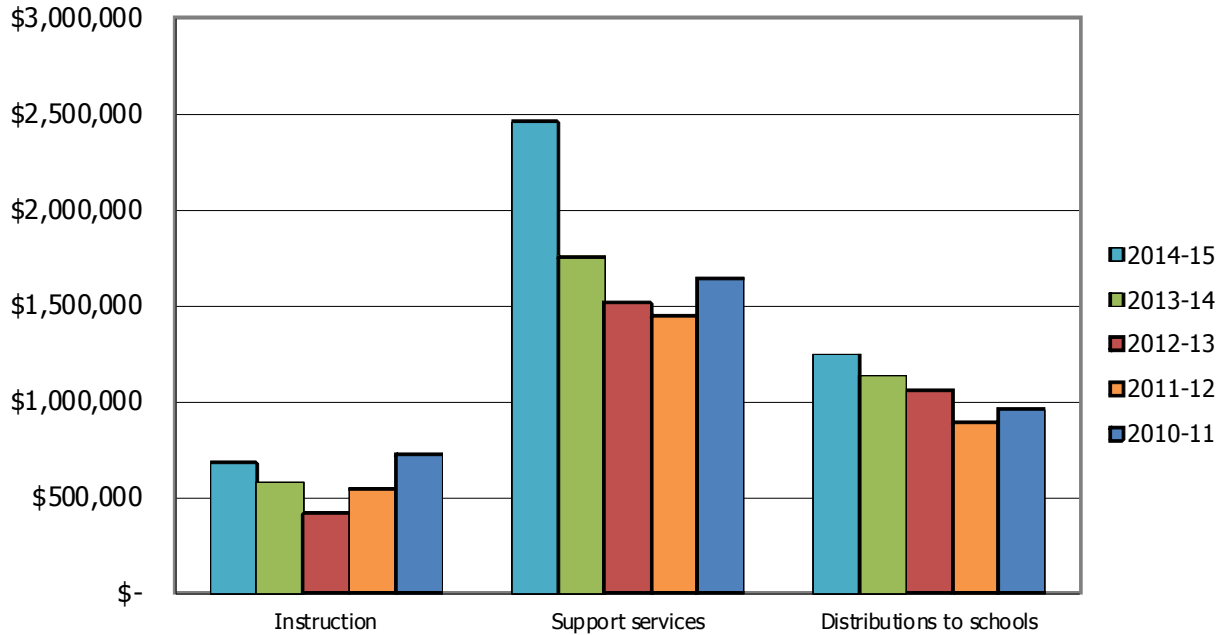
As noted earlier, the district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, unreserved fund balance may serve as a useful measure of a district's net resources available for spending at the end of a fiscal year.

At June 30, 2015, the district's governmental funds reported combined ending fund balances of \$1,455,172, a decrease of \$258,576 in comparison with the prior year. Of this amount, \$1,164,864 (68 percent) of the ending fund balance constitutes unassigned ending fund balance, which is available for spending at the district's discretion. Of the remaining fund balance, \$120,832 is assigned for special projects and \$169,476 is restricted for special programs.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Expenditures by Function - Governmental Funds



General Fund. The General Fund is the primary operating fund of the district. As of June 30, 2015, unassigned fund balance was \$1,164,875. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The fund balance represents approximately 54 percent of total General Fund expenditures.

The fund balance decreased by \$218,512 during the current fiscal year. The decrease can be primarily attributed to increased expenditures related to fire damage to the district office building and all of its contents.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The district's investment in capital assets includes land, buildings, vehicles, technology and equipment. As of June 30, 2015, the district had invested \$950,212 in capital assets, net of accumulated depreciation. The district's investment in capital assets increased by \$525,966 net of depreciation. A fire caused significant damage to the district office building and its contents in September 2014. Subsequently, a second fire destroyed a generator at the Long Creek Mountain tower site. The district office fire resulted in impairment of the building asset, as described in note 8 on page 33 of this report. Reconstruction of the district office was completed in 2015. In addition, the district replaced the generator destroyed by the fire and purchased a new copy machine and new office furniture.

Additional information on the district's capital assets can be found in note 7 on page 33 of this report.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2015-16 budget was adopted with total appropriations of \$3,891,769. This is nearly \$961,399 less than the 2014-15 budget, which has total appropriations of \$4,853,168. This decrease is mainly due to the merging of the Perkins programs with another region which shifts the management of these funds to another ESD; and the end of the CTE grant the ESD was previously managing.

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 can be obtained by calling the district's business office at (541)575-1349 or by sending a written request to: Grant County Education Service District, Business Office; 835 South Canyon Blvd.; John Day, OR 97845.

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BASIC FINANCIAL STATEMENTS

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GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
STATEMENT OF NET POSITION
 June 30, 2015

	Governmental Activities	
	June 30, 2015	June 30, 2014
ASSETS		
Cash and investments	\$ 2,378,386	\$ 1,499,213
Receivables		
Property taxes	259,609	271,231
Other	411,002	241,258
Net pension asset	272,764	-
Capital assets, net of accumulated depreciation		
Land	151,638	151,638
Buildings	696,437	159,607
Vehicles	11,512	13,606
Equipment	42,914	43,999
Technology	47,711	55,396
Total capital assets	950,212	424,246
Total assets	4,271,973	2,435,948
DEFERRED OUTFLOWS OF RESOURCES		
Current year PERS contributions	133,621	119,388
Change in PERS proportionate share	7,601	-
Total deferred outflows of resources	141,222	119,388
LIABILITIES		
Accounts payable	1,290,490	12,133
Accrued liabilities	56,672	43,858
Net pension liability	-	614,085
Total liabilities	1,347,162	670,076
DEFERRED INFLOWS OF RESOURCES		
Unavailable insurance proceeds	11,028	-
Net difference PERS investments	526,324	-
Total deferred inflows of resources	537,352	0
NET POSITION		
Net investment in capital assets	950,212	424,246
Restricted for special projects	169,476	207,040
Unrestricted	1,408,993	1,253,974
Total net position	\$ 2,528,681	\$ 1,885,260 *

* As restated for GASB 68

The Notes to Basic Financial Statements are an integral part of these statements.

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
STATEMENT OF ACTIVITIES
 For the Year Ended
 June 30, 2015

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	
Governmental activities		<u>Charges for</u>	<u>Operating</u>
Instruction		<u>Services</u>	<u>Grants and</u>
Regular programs			<u>Contributions</u>
Regular programs	\$ 336,896	\$ -	\$ 351,590
Special programs	315,310	-	180,789
Public alternative programs	142	140	-
Support services			
Students	337,565	-	164,125
Instructional staff	288,103	-	155,188
General administration	119,590	-	-
Business services	405,367	295,492	-
Central support services	261,081	-	-
Supplemental retirement program	-	-	-
Distributions to local school districts	1,243,058	-	-
Total governmental activities	<u>\$ 3,307,112</u>	<u>\$ 295,632</u>	<u>\$ 851,692</u>
General revenues			
Property taxes, levied for general purposes			
Other unrestricted funds			
Unrestricted investment earnings			
Miscellaneous			
Insurance recovery			
Total general revenues and special items			
Changes in net position			
Prior period adjustment			
Net position - beginning			
Cumulative effect of GASB 68 restatement			
Net position - ending			

The Notes to Basic Financial Statements are an integral part of these statements.

Net (Expense) Revenue
and Changes in Net Position
Governmental Activities

June 30, 2015	June 30, 2014
\$ 14,694 (134,521) (2) (173,440) (132,915) (119,590) (109,875) (261,081) - <u>(1,243,058)</u> <u>(2,159,788)</u>	\$ 22,508 (183,303) (16) (251,774) (207,060) (169,118) (255,411) (372,269) (14) <u>(1,137,544)</u> <u>(2,554,001)</u>
1,995,567 46,949 7,824 36,814 <u>711,055</u> <u>2,798,209</u> 638,421 5,000 1,885,260 - <u>\$ 2,528,681</u>	1,846,421 283,948 8,816 27,000 <u>-</u> <u>2,166,185</u> (387,816) - 2,767,773 (494,697) <u>\$ 1,885,260</u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General	Other	Total	
	(GAAP)	Governmental	June 30,	June 30,
		Funds	2015	2014
ASSETS				
Cash and investments	\$ 2,235,973	\$ 142,413	\$ 2,378,386	\$ 1,499,212
Receivables				
Property taxes	259,609	-	259,609	271,231
Other	129,351	281,649	411,000	241,258
Due from other funds	207,165	-	207,165	127,267
Total assets	<u>\$ 2,832,098</u>	<u>\$ 424,062</u>	<u>\$ 3,256,160</u>	<u>\$ 2,138,968</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 1,246,737	\$ 43,752	\$ 1,290,489	\$ 12,133
Accrued liabilities	52,992	3,680	56,672	43,858
Due to other funds	-	207,165	207,165	127,267
Total liabilities	<u>1,299,729</u>	<u>254,597</u>	<u>1,554,326</u>	<u>183,258</u>
Deferred inflows of resources				
Unavailable insurance proceeds	11,028	-	11,028	-
Unavailable property tax revenue	235,634	-	235,634	246,962
Total deferred inflows of revenues	<u>246,662</u>	<u>0</u>	<u>246,662</u>	<u>246,962</u>
Fund balance				
Restricted	-	169,476	169,476	207,040
Assigned	120,832	-	120,832	120,832
Unassigned	1,164,875	(11)	1,164,864	1,380,876
Total fund balance	<u>1,285,707</u>	<u>169,465</u>	<u>1,455,172</u>	<u>1,708,748</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,832,098</u>	<u>\$ 424,062</u>	<u>\$ 3,256,160</u>	<u>\$ 2,138,968</u>

The Notes to Basic Financial Statements are an integral part of these statements.

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO STATEMENT OF NET POSITION**
 June 30, 2015

Total Fund Balances		\$ 1,455,172
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 2,112,554	
Accumulated depreciation	<u>(1,162,342)</u>	950,212
A portion of the district's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		
		235,635
Net pension asset is not a financial resource and therefore is not reported in the governmental funds.		
		272,764
Current year PERS contributions are deferred outflows of resources that will be recognized as an expense in the subsequent period.		
		133,621
District's proportionate share of net differences between projected and actual earnings on investments that will be amortized over the next 5 years.		
		(518,723)
Total Net Position		<u><u>\$ 2,528,681</u></u>

The Notes to Basic Financial Statements are an integral part of these statements.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
For the Year Ended
June 30, 2015

	General (GAAP)	Other Governmental Funds	Total	
			June 30, 2015	June 30, 2014
Revenues				
Taxes	\$ 2,006,895	\$ -	\$ 2,006,895	\$ 1,883,362
Local sources	239,104	147,819	386,923	284,838
Intermediate sources	56,113	50,250	106,363	358,488
State sources	296	310,990	311,286	208,572
Federal sources	-	434,339	434,339	395,186
Total revenues	2,302,408	943,398	3,245,806	3,130,446
Expenditures				
Current				
Instruction				
Regular programs	-	331,353	331,353	215,425
Special programs	178,520	173,699	352,219	369,945
Adult/continuing education programs	140	-	140	-
Support services				
Students	316,831	112,985	429,816	390,174
Instructional staff	144,239	180,069	324,308	323,336
General administration	170,119	-	170,119	166,615
Business services	988,724	185,356	1,174,080	481,065
Central support services	359,757	-	359,757	392,812
Total expenditures	2,158,330	983,462	3,141,792	2,339,372
Excess of revenues over (under) expenditures	144,078	(40,064)	104,014	791,074
Other financing sources (uses)				
Insurance recovery	880,468	-	880,468	-
Distributions to local school districts	(1,243,058)	-	(1,243,058)	(1,137,544)
Total other financing sources (uses)	(362,590)	0	(362,590)	(1,137,544)
Net change in fund balance	(218,512)	(40,064)	(258,576)	(346,470)
Prior period adjustment	-	5,000	5,000	-
Available fund balance, July 1	1,504,219	204,529	1,708,748	2,055,218
Available fund balance, June 30 - by category				
Restricted	-	169,476	169,476	207,040
Assigned	120,832	-	120,832	120,832
Unassigned	1,164,875	(11)	1,164,864	1,380,876
Available fund balance, June 30 - Total	\$ 1,285,707	\$ 169,465	\$ 1,455,172	\$ 1,708,748

The Notes to Basic Financial Statements are an integral part of these statements.

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES**
 For the Year Ended
 June 30, 2015

Net Change in Fund Balance \$ (258,576)

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

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

Expenditures for capital assets	\$ 729,340	
Less current year depreciation	(33,960)	695,380

Governmental funds do not report capital assets on the balance sheet; however, they are reported in the government wide financial statements. Accordingly, proceeds received for disposals of capital assets are shown as income in the governmental financial statements and a gain or loss is reported in the statement of activities.

Disposals of capital assets and adjustments	(186,777)	
Accumulated depreciation with disposals and adjustments	17,364	(169,413)

Current year PERS contributions are deferred outflows of resources that will be recognized as an expense in the subsequent period.	133,621
--	---------

Changes in net pension liability, the related changes in deferred outflows and deferred inflows of resources are not recognized as expenses in the governmental funds.	248,738
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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.	(11,329)
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Change in Net Position	\$ 638,421
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The Notes to Basic Financial Statements are an integral part of these statements.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies

School districts in the state of Oregon are created by legislative action. Grant County Education Service District (the district) was organized under authority of Chapter 334, Oregon Revised Statutes. The district provides services to the local school districts within Grant County. The administration of the district is vested in a seven-member board of directors, a superintendent and a deputy clerk at the district office.

The accounting policies of the district conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. Beginning in fiscal year 2015, the district implemented the following statements issued by GASB:

In June 2012, the GASB issued Statement No. 68, Accounting and Reporting for Pensions (GASB 68). GASB 68 establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. This statement requires the employer's statement of net position include the employer's proportionate share of the retirement system's overall unfunded liability (net pension liability). The statement also requires the employer's pension expense be reported as the change in the proportionate share of the net pension liability.

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. See note 13 for additional information on the implementation of these statements.

A. Reporting Entity

A seven-member board of directors exercises governance responsibilities over all entities related to district programs within the jurisdiction of the district as set by the state of Oregon. The board receives funding from local, state, and federal sources. However, the district is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

In evaluating how to define the district for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the primary government's financial accountability. The criteria used to determine financial

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

accountability include whether the primary government appoints a voting majority, the primary government can impose its will on the component unit, whether there is financial benefit or burden on the primary government, and if the component unit has a fiscal dependency on the primary government. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the district is financially accountable. No other entities met requirements for inclusion in the district.

B. Basis of Presentation - Fund Accounting

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, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, inter-governmental 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 and (2) operating grants and contributions. Revenues that are not classified as program revenues, including property taxes and other unrestricted funds, are presented as general revenues.

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

Fund Financial Statements

The fund financial statements provide information about the district's funds including those of a fiduciary nature. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The district reports the following major governmental fund:

General Fund – The General Fund is the primary operating fund of the district. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

C. 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. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the district funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the district's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The district considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Budgets and Budgetary Accounting

A budget is prepared for each district fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, enterprise and community services, facilities acquisition and construction, contingencies, and debt service by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at June 30.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the board of directors. The budget for the General Fund and special revenue funds includes capital outlay expenditures in each program for capital outlay applicable to that program.

The district does not utilize encumbrance accounting for budgeted funds.

E. Deposits and Investments

The district's cash and cash equivalents are considered cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in savings accounts and the Oregon State Treasury Local Government Investment Pool and allocated to each fund based on the excess cash each fund has deposited.

Oregon statutes and local ordinances authorize the district to invest (short-term and long-term) in certificates of deposit (considered investments for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the United States, U.S. agency issues, general obligations of the states of Oregon, Washington, Idaho and California, certain interest bearing bonds of a county, port or school district, certain interest bearing bonds on any city in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds. All investments are stated at cost, which approximates market value.

F. Receivables and Payables

Property taxes assessed in prior years, but not yet collected or accrued, are reported on the balance sheet, but are offset by deferred revenue accounts. The district levies taxes on a fiscal year from July 1 to June 30. The current levy becomes a lien on July 1. Taxes are due November 15, and become delinquent May 15. Foreclosure is started three years after taxes become delinquent. The district turns all tax collection duties over to Grant County.

The district reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources also arise when resources are received by the district before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the district has a legal claim to the resources, the liability for deferred inflows of resources is removed from the governmental funds balance sheet and revenue is recognized.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

G. Inventory

Inventories of supplies are charged to expenditures when purchased. The items in inventory remain at a relatively constant level and the amount is not material. No physical inventory of supplies was taken during the year.

H. Capital Assets

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

Buildings	50 years
Vehicles	10 years
Equipment	10 years
Technology	5 years

I. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

No provision is made for accumulated unpaid vacation, sick pay, and other employee benefits. The district's vacation policy varies by employee classification. A liability for accumulated sick pay does exist; however, it is not able to be estimated. Each employee may accumulate sick leave and carry it over to the succeeding year. In a year when sick leave is used, the teacher is paid the regular contract salary during the absence to the extent of sick leave earned. Substitutes must be hired by the district. When a teacher becomes employed by another district, the accumulated sick leave is transferred to that district.

J. Prior Period Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the district's financial statements for the year ended June 30, 2014, from which the summarized information was derived, except for the following, as discussed in note 16. In the implementation of GASB 68, we have restated the prior year summarized totals in the Statement of Net Position to reflect the net pension liability and deferred outflow of resources. However, information is not available to appropriately restate the Statement of Activities.

K. Use of Estimates

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

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

L. Fund Balances

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

Nonspendable fund balance is the portion of net resources that cannot be spent because they are either (a) in a nonspendable form or (b) legally or contractually required to be maintained intact. Fund balance is reported as restricted 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.

Fund balance is reported as committed when the board of directors passes an ordinance or resolution that places specific constraints on how the resources may be used. The board action that imposed the limitation would need to occur no later than the close of the reporting period. The board of directors can modify or rescind the legislative action at any time through passage of an additional ordinance or resolution.

The net resources that are constrained by the district's intent to use them are reported as assigned fund balance. Intent is expressed when the board of directors approves which resources should be set aside for specific purposes during the adoption of the annual budget. The board of directors and deputy clerk use that information to determine whether those resources should be classified as assigned in the district's financial statements. Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund.

The district applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 2. Pension Plan

Name of pension plan

The Oregon Public Employees Retirement System consists of a single cost-sharing multiple employer defined benefit pension plan.

Description of benefit terms

Plan Benefits

All benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

A. PERS Pension Chapter 238 (Tier One/Tier Two Retirement Benefit).

1. Pension Benefits

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

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 (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 a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

2. 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 a 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.

3. 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 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 when determining the monthly benefit.

4. 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 of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

B. OPSRP Pension Program (OPSRP DB)

1. Pension Benefits

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

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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:

- 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.

2. 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.

3. 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.

4. Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond 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. This 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, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum unfunded actuarial liability payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2015 were \$133,621, excluding amounts to fund employer specific liabilities.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at:
http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx
Actuarial Valuations

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit 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 (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) 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 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution 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 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
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll; Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed.
Equivalent single amortization period	20 years
Asset valuation method	Market value of assets
Actuarial assumption:	
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increases	3.75 percent

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

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

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

Sensitivity of the District's Proportionate Share of 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:

	1% Decrease (6.75%)	Discount rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the system net pension liability (asset)	\$ 577,616	\$ (272,764)	\$ (991,986)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the district reported an asset of \$272,764 for its proportionate share of the net pension liability/asset. The net pension liability/asset was measured as of June 30, 2014, and the total pension liability/asset used to calculate the net pension liability/asset was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability/asset 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 school districts, actuarially determined. At June 30, 2014, the district's proportion was 0.01203345 percent.

For the year ended June 30, 2015, the district recognized negative pension expense (benefit) of \$248,738. This pension expense is the district's proportionate share of system negative pension expense (benefit).

At June 30, 2015, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

	Deferred outflow of resources	Deferred inflow of resources
Net difference between projected and actual earnings on investments	\$ -	\$ 526,324
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,601	-
Total (prior to post-measurement-date contributions)	7,601	526,324
Contributions subsequent to the measurement date	133,621	NA
Net deferred outflow/(inflow) of resources		\$ (385,102)

\$133,621 is reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year	Deferred outflow or (inflow) of resources
2016	\$ (129,929)
2017	(129,929)
2018	(129,929)
2019	(129,929)
2020	993
Total	\$ (518,723)

Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled in the Moro decision, that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law were unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year's actuarial valuations. The impact of the Moro decision on the total pension liability and employer's net pension liability (asset) has not been fully

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

determined. However, PERS' third-party actuaries have estimated the impact of the Moro decision under one possible methodology, which is summarized below (dollars in millions). Estimates have been rounded to the nearest \$10 million.

Net pension liability (asset)	June 30, 2014 Measurement Date	
	Prior to Moro	After Moro (estimated)
Total pension liability (in millions)	\$ 63,134.8	\$ 68,050.0
Fiduciary net position (in millions)	65,401.5	65,400.0
Net pension liability (asset) (in millions)	\$ (2,266.7)	\$ 2,650.0
District's proportionate share	0.01203345%	0.01203345%
District net pension liability	\$ (272,764)	\$ 318,886

Note 3. Post Employment Health Insurance Subsidy

Plan Description

The district operates a single-employer retiree benefit plan that provides post-employment health benefits to eligible employees and their spouses. There are active and retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements.

The district's post-employment health insurance plan was established in accordance with ORS 243.303. ORS stipulate that for the purpose of establishing healthcare premium, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claim cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the district's implicit employer contribution.

The district did not establish an irrevocable trust (or equivalent arrangement) to account for the plan. Instead, the activities of the plan are reported in the General Fund.

Funding Policy

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

GASB 45 Exemption

GASB 45 paragraph 13.a.(2) offers an exemption from measuring an implicit subsidy under certain conditions for employers participating in community-rated health care coverages. The district's OEGB health care coverages are community-rated, and the premium rates are the same for active and retired members. The district's active and retired members comprise a sufficiently small portion of the entire OEGB premium pool that the district does not have any liability to report under GASB 45.

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

Note 4. Risk Management

The district is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the district carries commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years.

Note 5. Deposits and Investments

At June 30, 2015 the carrying amount of the district's deposits was \$1,236,612 and the bank balance was \$1,331,971. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's web site. Qualifying depository banks must pledge securities with a particular value based on the bank's level of capitalization.

The balances in excess of the FDIC insurance are considered exposed to custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the bank failure, the district's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$62,660 of the district's bank balance of \$1,331,971 was exposed to custodial credit risk.

As of June 30, 2015 the district had \$1,141,774 invested in the Oregon Local Government Investment Pool. The district's position in the pool is stated at cost which approximates fair value.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The district has no policy for managing interest rate or credit risk. Investments by the district held in the Local Government Investment Pool are not rated.

The Oregon Short Term Fund is the LGIP for local governments and was established by the Oregon 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.

Note 6. Interfund Receivables and Payables

Due to/from other funds at June 30, 2015 are as follows:

Fund	Due to	Due from
General Fund	\$ 207,165	\$ -
Nonmajor funds	-	207,165
Total interfund loans	\$ 207,165	\$ 207,165

Amounts represent cash advanced by the General Fund for operations.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

Note 7. Changes in Capital Assets

The following is a summary of changes in capital assets:

Capital Assets	Balance July 01, 2014	Additions	Adjustments	Deletions	Balance June 30, 2015
Land, not being depreciated	\$ 151,638	\$ -	\$ -	\$ -	\$ 151,638
Capital assets being depreciated					
Buildings	310,419	672,584	-	-	983,003
Vehicles	44,413	-	-	-	44,413
Equipment	57,994	45,201	-	48,808	54,387
Technology	1,005,527	11,555	-	10,042	1,007,040
Total capital assets being depreciated	<u>1,418,353</u>	<u>729,340</u>	<u>0</u>	<u>58,850</u>	<u>2,088,843</u>
Total capital assets	<u>1,569,991</u>	<u>729,340</u>	<u>0</u>	<u>58,850</u>	<u>2,240,481</u>
Accumulated Depreciation					
Buildings	150,812	7,827	127,927	-	286,566
Vehicles	30,807	2,094	-	-	32,901
Equipment	13,996	4,799	-	7,321	11,474
Technology	950,130	19,240	-	10,042	959,328
Total	<u>1,145,745</u>	<u>33,960</u>	<u>127,927</u>	<u>17,363</u>	<u>1,290,269</u>
Total capital assets, net	<u>\$ 424,246</u>	<u>\$ 695,380</u>	<u>\$ (127,927)</u>	<u>\$ 41,487</u>	<u>\$ 950,212</u>

Depreciation was allocated to the following functions:

Instruction	\$ 10,733
Support services	23,227
Total depreciation	<u>\$ 33,960</u>

Note 8. Impairment of Capital Assets

On September 16, 2014, a fire started in the district office, resulting in significant loss and damage to the office building and its contents. The building was determined to be impaired since the decline in service utility due to the fire was significant and the fire was an unexpected and unusual occurrence. Impairment was measured using the restoration cost approach according to GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. The impairment loss of \$127,927 is reported net of insurance recoveries received on the Statement of Activities.

Note 9. Operating Lease Obligations

The district leases certain property and equipment from others. Leased property not having elements of ownership is classified as an operating lease. Operating lease payments are

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

recorded as expenditures when payable. Operating leases include: a Kyocera copy machine at 60 monthly payments of \$183 through March 2019. Total expenditures on such leases for the fiscal year ended June 30, 2015 were \$2,200.

As of June 30, 2015, the district had future minimum payments under operating leases as follows:

Fiscal Year Ending June 30,	Total Future Minimum Lease Payments
2016	\$ 2,200
2017	2,200
2018	2,200
2019	1,650
Total	<u>\$ 8,250</u>

Note 10. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government and the state of Oregon. Any disallowed claims, including amounts already collected, may constitute a liability to the district. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although district management expects such amounts, if any, to be immaterial.

Note 11. Receivables

Receivables are comprised of the following as of June 30, 2015:

Property Taxes	\$ 259,609
Other Receivables	411,002
Total	<u>\$ 670,611</u>

Note 12. Deficit Fund Balance

The district had a deficit fund balance at June 30, 2015 in the Preschool Fund. This deficit will be funded with future revenues and transfers.

Note 13. Classification of Fund Balance

Below is a schedule of the ending fund balance by category:

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

Fund balances	<u>General Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
Restricted fund balance			
<u>Restricted</u>			
Federal programs	\$ -	\$ 40,305	\$ 40,305
State programs	-	2,436	2,436
Co-Op purchasing	-	126,735	126,735
	<u>0</u>	<u>169,476</u>	<u>169,476</u>
Unrestricted fund balance			
<u>Assigned</u>			
Distance ed	11,728	-	11,728
Contracts out of dist	2,517	-	2,517
Unemployment	106,587	-	106,587
	<u>120,832</u>	<u>0</u>	<u>120,832</u>
<u>Unassigned</u>	<u>1,164,875</u>	<u>(11)</u>	<u>1,164,864</u>
Total fund balances	<u>\$ 1,285,707</u>	<u>\$ 169,465</u>	<u>\$ 1,455,172</u>

Note 14. Prior Period Adjustment

A prior period adjustment was made in the Eastern Oregon CTE Revitalization Fund to account for checks that were outstanding at year end and subsequently voided. This impacted beginning fund balance for the current year.

Note 15. Restatement of Beginning Net Position

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

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

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

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

Statement No. 68 is effective for financial statement periods beginning after June 15, 2014, with the effects of accounting change to be applied retroactively by restating the financial statements. Accordingly, the district has restated amounts of effected balances within the financial statements as of June 30, 2014. It should be noted that the prior period summarized information in the Statement of Net Position has been restated for the effect of the GASB 68 net pension liability and the related deferred outflow of resources. This information is readily available in the PERS actuarial valuation. The government-wide Statement of Activities has not been restated due to the fact that information is not available to determine the portion of the unfunded pension liability that relates to that period, as distinguished from all prior periods in which GASB 68 was not in affect. In lieu of restatement, the cumulative effect of the booking of the net pension liability and the related deferred outflow of resources is presented as an adjustment to net position at the bottom of the Statement of Activities.

Note 16. Subsequent Events

Management has evaluated subsequent events through December 28, 2015, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND - 100
 For the Year Ended
 June 30, 2015

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Taxes	\$ 2,006,895	\$ 1,825,000	\$ 1,975,000	\$ (31,895)
Local sources	238,964	215,051	315,051	76,087
Intermediate sources	56,113	58,200	58,200	2,087
State sources	296	15,000	15,000	14,704
Total revenues	<u>2,302,268</u>	<u>2,113,251</u>	<u>2,363,251</u>	<u>60,983</u>
Expenditures				
Instruction	178,520	227,332	227,332	48,812
Support services	1,979,670	1,185,600	1,285,600	(694,070)
Contingency	-	298,000	298,000	298,000
Total expenditures	<u>2,158,190</u>	<u>1,710,932</u>	<u>1,810,932</u>	<u>(347,258)</u>
Excess of revenues over (under) expenditures	<u>144,078</u>	<u>402,319</u>	<u>552,319</u>	<u>408,241</u>
Other financing sources (uses)				
Insurance recovery	880,468	-	-	(880,468)
Distributions to local school districts	<u>(1,243,058)</u>	<u>(1,060,869)</u>	<u>(1,210,869)</u>	<u>32,189</u>
Total other financing sources (uses)	<u>(362,590)</u>	<u>(1,060,869)</u>	<u>(1,210,869)</u>	<u>(848,279)</u>
Net change in fund balance	(218,512)	(658,550)	(658,550)	(440,038)
Available fund balance, July 1	<u>1,383,387</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>16,613</u>
Available fund balance, June 30	<u>\$ 1,164,875</u>	<u>\$ 741,450</u>	<u>\$ 741,450</u>	<u>\$ (423,425)</u>

The Notes to Basic Financial Statements are an integral part of these statements.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
For the Year Ended
June 30, 2015

In accordance with Oregon Revised Statutes, the board of directors annually adopts a budget following required public notices and hearings for all funds except private purpose trust and agency funds. The budget may be amended during the year through statutorily prescribed procedures. The district's budget is prepared on the modified accrual or GAAP basis of accounting. Appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon major classes of expenditures known as functions within each fund. The functions include: instruction, support, services, other uses and contingencies.

During the year ended June 30, 2015, disbursements in the major funds were within certified budget amounts in all functions with the exception of the General Fund support services and other uses.

The Notes to Basic Financial Statements are an integral part of these statements.

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
OREGON PUBLIC RETIREMENT SYSTEM
 Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.01203345%	0.01203345%
District's proportionate share of the net pension liability (asset)	\$ (272,764)	\$ 614,085
District's covered-employee payroll	\$ 631,362	\$ 628,318
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-43.20%	97.73%

* The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

SCHEDULE OF DISTRICT CONTRIBUTIONS
OREGON PUBLIC RETIREMENT SYSTEM
 Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
Contractually required contribution	133,621	140,471
Contributions in relation to the contractually required contribution	<u>(133,621)</u>	<u>(140,471)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 631,362	\$ 628,318
Contributions as a percentage of covered-employee payroll	21.16%	22.36%

* The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

The Notes to Basic Financial Statements are an integral part of these statements.

SUPPLEMENTAL SCHEDULES

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
COMBINING BALANCE SHEET
GENERAL FUND (GAAP REPORTING)
 June 30, 2015

	100 General Fund	230 Distance Education Fund	290 Contractor Out of District Fund	299 Insurance/ Unemployment Fund
ASSETS				
Cash and investments	\$ 2,322,306	\$ 11,728	\$ 2,517	\$ 106,587
Taxes receivable	259,609	-	-	-
Accounts receivable	129,351	-	-	-
Total assets	<u>\$ 2,711,266</u>	<u>\$ 11,728</u>	<u>\$ 2,517</u>	<u>\$ 106,587</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 1,246,737	\$ -	\$ -	\$ -
Accrued liabilities	52,992	-	-	-
Total liabilities	<u>1,299,729</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deferred inflows of resources				
Unavailable insurance proceeds	11,028	-	-	-
Unavailable property tax revenue	235,634	-	-	-
Total deferred inflows of revenues	<u>246,662</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance				
Assigned	-	11,728	2,517	106,587
Unassigned	1,164,875	-	-	-
Total fund balance	<u>1,164,875</u>	<u>11,728</u>	<u>2,517</u>	<u>106,587</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,711,266</u>	<u>\$ 11,728</u>	<u>\$ 2,517</u>	<u>\$ 106,587</u>

Total
June 30,
2015

\$ 2,443,138
259,609
129,351

\$ 2,832,098

\$ 1,246,737
52,992

1,299,729

11,028
235,634

246,662

120,832
1,164,875

1,285,707

\$ 2,832,098

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND (GAAP REPORTING)
 For the Year Ended
 June 30, 2015

	100 General Fund	230 Distance Education Fund	290 Contractor Out of District Fund	299 Insurance/ Unemployment Fund
Revenues				
Local sources	\$ 2,245,859	\$ -	\$ 140	\$ -
Intermediate sources	56,113	-	-	-
State sources	296	-	-	-
Total revenues	<u>2,302,268</u>	<u>0</u>	<u>140</u>	<u>0</u>
Expenditures				
Current				
1000 Instruction				
1250 Students with disabilities	171,877	-	-	-
1281 Public alternative programs	5,330	-	-	-
1299 Other programs	1,313	-	-	-
1300 Adult/continuing education	-	-	140	-
Total instruction	<u>178,520</u>	<u>0</u>	<u>140</u>	<u>0</u>
2000 Support services				
2110 Attendance and social work services	619	-	-	-
2150 Speech pathology and audiology	263,154	-	-	-
2190 Service area direction, support services	53,058	-	-	-
2210 Site council	114,073	-	-	-
2211 Service area direction	30,166	-	-	-
2310 Board of education	30,609	-	-	-
2320 Executive administration	139,510	-	-	-
2520 Fiscal services	127,100	-	-	-
2540 Operation and maintenance of plant	861,624	-	-	-
2660 Technology services	338,182	-	-	-
2669 Other technology services	21,575	-	-	-
Total support services	<u>1,979,670</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>2,158,190</u>	<u>0</u>	<u>140</u>	<u>0</u>
Excess of revenues over (under) expenditures	<u>144,078</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other financing sources (uses)				
Insurance recovery	880,468	-	-	-
Distributions to local school districts	(1,243,058)	-	-	-
Total other financing sources (uses)	<u>(362,590)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(218,512)	0	0	0
Available fund balance, July 1	<u>1,383,387</u>	<u>11,728</u>	<u>2,517</u>	<u>106,587</u>
Available fund balance, June 30	<u>\$ 1,164,875</u>	<u>\$ 11,728</u>	<u>\$ 2,517</u>	<u>\$ 106,587</u>

Total
June 30,
2015
\$ 2,245,999
56,113
296
2,302,408

171,877
5,330
1,313
140
178,660

619
263,154
53,058
114,073
30,166
30,609
139,510
127,100
861,624
338,182
21,575
1,979,670
2,158,330
144,078

880,468
(1,243,058)
(362,590)
(218,512)
1,504,219
\$ 1,285,707

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GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND - 100
 For the Year Ended
 June 30, 2015

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Local sources				
1111 Taxes - current year	\$ 1,871,166	\$ 1,700,000	\$ 1,800,000	\$ (71,166)
1112 Taxes - prior year	135,729	125,000	175,000	39,271
1510 Interest earned investments	7,824	10,000	10,000	2,176
1910 Rental of building	-	1,200	1,200	1,200
1940 Services provided other agencies	152,375	167,700	167,700	15,325
1960 E-Rate	14,320	14,000	14,000	(320)
1980 Fees charged to grants	32,151	7,000	7,000	(25,151)
1990 Miscellaneous income	32,294	15,151	15,151	(17,143)
1992 Insurance recovery	-	-	100,000	100,000
Total local sources	<u>2,245,859</u>	<u>2,040,051</u>	<u>2,290,051</u>	<u>44,192</u>
Intermediate sources				
2900 Intermediate grants	56,113	54,000	54,000	(2,113)
2920 SMART grant	-	4,200	4,200	4,200
Total intermediate sources	<u>56,113</u>	<u>58,200</u>	<u>58,200</u>	<u>2,087</u>
State sources				
3299 Other restricted grants	296	15,000	15,000	14,704
Total state sources	<u>296</u>	<u>15,000</u>	<u>15,000</u>	<u>14,704</u>
Total revenues	<u>2,302,268</u>	<u>2,113,251</u>	<u>2,363,251</u>	<u>60,983</u>
Expenditures				
1000 Instruction				
100 Salaries	89,974	121,674	121,674	31,700
200 Associated payroll costs	75,659	86,658	86,658	10,999
300 Purchased services	7,872	6,800	6,800	(1,072)
400 Supplies and materials	5,015	12,200	12,200	7,185
Total instruction	<u>178,520</u>	<u>227,332</u>	<u>227,332</u>	<u>48,812</u>
2000 Support services				
100 Salaries	554,117	575,170	575,170	21,053
200 Associated payroll costs	357,444	366,914	366,914	9,470
300 Purchased services	212,872	155,316	155,316	(57,556)
400 Supplies and materials	110,919	68,100	168,100	57,181
500 Capital outlay	729,340	5,000	5,000	(724,340)
600 Other objects	14,978	15,100	15,100	122
Total support services	<u>1,979,670</u>	<u>1,185,600</u>	<u>1,285,600</u>	<u>(694,070)</u>

(Continued on next page)

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND - 100
For the Year Ended
June 30, 2015

	Actual	Budget		(Over) Under Budget
		Original	Final	
Expenditures (continued)				
6000 Contingency				
800 Planned reserve	\$ -	\$ 298,000	\$ 298,000	\$ 298,000
Total contingency	0	298,000	298,000	298,000
Total expenditures	2,158,190	1,710,932	1,810,932	(347,258)
Excess of revenues over (under) expenditures	144,078	402,319	552,319	408,241
Other financing sources (uses)				
Insurance recovery	880,468	-	-	(880,468)
Distributions to local school districts	(1,243,058)	(1,060,869)	(1,210,869)	32,189
Total other financing sources (uses)	(362,590)	(1,060,869)	(1,210,869)	(848,279)
Net change in fund balance	(218,512)	(658,550)	(658,550)	(440,038)
Available fund balance, July 1	1,383,387	1,400,000	1,400,000	16,613
Available fund balance, June 30	<u>\$ 1,164,875</u>	<u>\$ 741,450</u>	<u>\$ 741,450</u>	<u>\$ (423,425)</u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DISTANCE EDUCATION FUND - 230
 For the Year Ended
 June 30, 2015

	<u>Actual</u>	<u>Budget</u>		<u>(Over) Under Budget</u>
		<u>Original</u>	<u>Final</u>	
Revenues				
1990 Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues over (under) expenditures and net change in fund balance	0	0	0	0
Available fund balance, July 1	<u>11,728</u>	<u>-</u>	<u>-</u>	<u>(11,728)</u>
Available fund balance, June 30	<u><u>\$ 11,728</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (11,728)</u></u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CONTRACTOR OUT OF DISTRICT FUND - BMCC - 290
 For the Year Ended
 June 30, 2015

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
1320 Tuition	\$ 140	\$ 1,000	\$ 1,000	\$ 860
Total revenue	<u>140</u>	<u>1,000</u>	<u>1,000</u>	<u>860</u>
Expenditures				
1000 Instruction				
1300 Adult/continuing education				
300 Purchased services	-	1,000	1,000	1,000
400 Supplies and materials	140	1,747	1,747	1,607
Total instruction	<u>140</u>	<u>2,747</u>	<u>2,747</u>	<u>2,607</u>
Total expenditures	<u>140</u>	<u>2,747</u>	<u>2,747</u>	<u>2,607</u>
Excess of revenues over (under) expenditures and net change in fund balance	0	(1,747)	(1,747)	(1,747)
Available fund balance, July 1	<u>2,517</u>	<u>1,747</u>	<u>1,747</u>	<u>(770)</u>
Available fund balance, June 30	<u>\$ 2,517</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,517)</u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
INSURANCE/UNEMPLOYMENT FUND - 299
 For the Year Ended
 June 30, 2015

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
1510 Interest	\$ -	\$ -	\$ -	\$ -
Total revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other financing sources				
Transfers in	-	-	-	-
Total other financing sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	0	0	0	0
Available fund balance, July 1	<u>106,587</u>	-	-	<u>(106,587)</u>
Available fund balance, June 30	<u><u>\$ 106,587</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (106,587)</u></u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2015

	220 IDEA Grant Fund	240 Co-Op Purchasing Fund	241 Curriculum Development Fund	250 Alcohol and Drug Prev Fund	262 PIPE Fund
ASSETS					
Cash and investments	\$ 38,278	\$ 102,841	\$ 941	\$ -	\$ -
Accounts receivable	36,685	30,537	-	9,484	16,772
Total assets	<u>\$ 74,963</u>	<u>\$ 133,378</u>	<u>\$ 941</u>	<u>\$ 9,484</u>	<u>\$ 16,772</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 34,702	\$ 6,643	\$ 941	\$ 901	\$ -
Due to other funds	-	-	-	5,917	16,772
Accrued liabilities	-	-	-	2,651	-
Total liabilities	<u>34,702</u>	<u>6,643</u>	<u>941</u>	<u>9,469</u>	<u>16,772</u>
Fund balance					
Restricted	40,261	126,735	-	15	-
Unassigned	-	-	-	-	-
Total fund balance	<u>40,261</u>	<u>126,735</u>	<u>0</u>	<u>15</u>	<u>0</u>
Total liabilities and fund balance	<u>\$ 74,963</u>	<u>\$ 133,378</u>	<u>\$ 941</u>	<u>\$ 9,484</u>	<u>\$ 16,772</u>

263 EO CTE Revitalization Fund	264 ODOT-Women in Const Trade Fund	265 Carl Perkins Reserve Fund	266 Carl Perkins Fund	267 Math-In- CTE Fund	270 Preschool Fund	Total June 30, 2015
\$ -	\$ -	\$ 309	\$ -	\$ 44	\$ -	\$ 142,413
152,948	14,012	-	21,211	-	-	281,649
<u>\$ 152,948</u>	<u>\$ 14,012</u>	<u>\$ 309</u>	<u>\$ 21,211</u>	<u>\$ 44</u>	<u>\$ 0</u>	<u>\$ 424,062</u>
\$ -	\$ -	\$ -	\$ 565	\$ -	\$ -	\$ 43,752
152,948	11,591	-	19,926	-	11	207,165
-	-	309	720	-	-	3,680
<u>152,948</u>	<u>11,591</u>	<u>309</u>	<u>21,211</u>	<u>0</u>	<u>11</u>	<u>254,597</u>
-	2,421	-	-	44	-	169,476
-	-	-	-	-	(11)	(11)
<u>0</u>	<u>2,421</u>	<u>0</u>	<u>0</u>	<u>44</u>	<u>(11)</u>	<u>169,465</u>
<u>\$ 152,948</u>	<u>\$ 14,012</u>	<u>\$ 309</u>	<u>\$ 21,211</u>	<u>\$ 44</u>	<u>\$ 0</u>	<u>\$ 424,062</u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended
June 30, 2015

	220 IDEA Grant Fund	240 Co-Op Purchasing Fund	241 Curriculum Development Fund	250 Alcohol and Drug Prev Fund	262 PIPE Fund
Revenues					
Local sources	\$ -	\$ 147,819	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	4,650	-
Federal sources	180,789	-	-	108,012	29,859
Total revenues	<u>180,789</u>	<u>147,819</u>	<u>0</u>	<u>112,662</u>	<u>29,859</u>
Expenditures					
Current					
1000 Instruction					
1131 High school programs	-	-	-	-	-
1140 Prekindergarten programs	-	-	-	-	-
1250 Students with disabilities	173,699	-	-	-	-
Total instruction	<u>173,699</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
2000 Support services					
2190 Service direction, student support	-	-	-	112,985	-
2210 Improvement of instruction services	-	-	-	-	-
2211 Service area direction	-	-	-	-	-
2212 Improvement of instruction	-	-	-	-	29,859
2240 Instructional staff development	-	-	-	-	-
2540 Operation and maintenance of plant	-	507	-	-	-
2570 Internal services	-	151,155	-	-	-
2573 Warehousing and distributing	-	-	33,694	-	-
Total support services	<u>0</u>	<u>151,662</u>	<u>33,694</u>	<u>112,985</u>	<u>29,859</u>
Total expenditures	<u>173,699</u>	<u>151,662</u>	<u>33,694</u>	<u>112,985</u>	<u>29,859</u>
Excess of revenues over (under) expenditures and net change in fund balance	7,090	(3,843)	(33,694)	(323)	-
Prior period adjustment	-	-	-	-	-
Available fund balance, July 1	33,171	130,578	33,694	338	-
Available fund balance, June 30	<u>\$ 40,261</u>	<u>\$ 126,735</u>	<u>\$ 0</u>	<u>\$ 15</u>	<u>\$ 0</u>

263 EO CTE Revitalization Fund	264 ODOT-Women in Const Trade Fund	265 Carl Perkins Reserve Fund	266 Carl Perkins Fund	267 Math-In- CTE Fund	270 Preschool Fund	Total June 30, 2015
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 147,819
-	-	-	-	-	50,250	50,250
301,340	5,000	-	-	-	-	310,990
-	-	34,643	81,036	-	-	434,339
<u>301,340</u>	<u>5,000</u>	<u>34,643</u>	<u>81,036</u>	<u>0</u>	<u>50,250</u>	<u>943,398</u>
281,103	-	-	-	-	-	281,103
-	-	-	-	-	50,250	50,250
-	-	-	-	-	-	173,699
<u>281,103</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,250</u>	<u>505,052</u>
-	-	-	-	-	-	112,985
-	6,956	-	-	-	-	6,956
-	-	36,676	-	-	-	36,676
20,749	-	-	83,841	-	-	134,449
1,988	-	-	-	-	-	1,988
-	-	-	-	-	-	507
-	-	-	-	-	-	151,155
-	-	-	-	-	-	33,694
<u>22,737</u>	<u>6,956</u>	<u>36,676</u>	<u>83,841</u>	<u>0</u>	<u>0</u>	<u>478,410</u>
<u>303,840</u>	<u>6,956</u>	<u>36,676</u>	<u>83,841</u>	<u>0</u>	<u>50,250</u>	<u>983,462</u>
(2,500)	(1,956)	(2,033)	(2,805)	0	0	(40,064)
5,000	-	-	-	-	-	5,000
<u>(2,500)</u>	<u>4,377</u>	<u>2,033</u>	<u>2,805</u>	<u>44</u>	<u>(11)</u>	<u>204,529</u>
<u>\$ 0</u>	<u>\$ 2,421</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 44</u>	<u>\$ (11)</u>	<u>\$ 169,465</u>

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GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
IDEA GRANT FUND - 220
 For the Year Ended
 June 30, 2015

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
4500 IDEA grant	\$ 180,789	\$ 260,000	\$ 260,000	\$ 79,211
Total revenue	<u>180,789</u>	<u>260,000</u>	<u>260,000</u>	<u>79,211</u>
Expenditures				
1000 Instruction				
1250 Students with disabilities				
100 Salaries	14,582	-	-	(14,582)
300 Purchased services	158,265	260,000	260,000	101,735
400 Supplies and materials	852	20,000	20,000	19,148
Total support services	<u>173,699</u>	<u>280,000</u>	<u>280,000</u>	<u>106,301</u>
Total expenditures	<u>173,699</u>	<u>280,000</u>	<u>280,000</u>	<u>106,301</u>
Excess of revenues over (under) expenditures and net change in fund balance	7,090	(20,000)	(20,000)	(27,090)
Available fund balance, July 1	<u>33,171</u>	<u>20,000</u>	<u>20,000</u>	<u>(13,171)</u>
Available fund balance, June 30	<u>\$ 40,261</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (40,261)</u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CO-OP PURCHASING FUND - 240
 For the Year Ended
 June 30, 2015

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
1940 Services provided other local agencies	\$ 108,275	\$ 400,000	\$ 400,000	\$ 291,725
1990 Miscellaneous	39,544	20,000	20,000	(19,544)
Total revenue	<u>147,819</u>	<u>420,000</u>	<u>420,000</u>	<u>272,181</u>
Expenditures				
2000 Support services				
2540 Operation and maintenance of plant				
300 Purchased services	507	500	500	(7)
2570 Internal services				
400 Supplies and materials	<u>151,155</u>	<u>569,500</u>	<u>569,500</u>	<u>418,345</u>
Total support services	<u>151,662</u>	<u>570,000</u>	<u>570,000</u>	<u>418,338</u>
Total expenditures	<u>151,662</u>	<u>570,000</u>	<u>570,000</u>	<u>418,338</u>
Excess of revenues over (under) expenditures and net change in fund balance	(3,843)	(150,000)	(150,000)	(146,157)
Net change in fund balance	(3,843)	(150,000)	(150,000)	(146,157)
Available fund balance, July 1	<u>130,578</u>	<u>150,000</u>	<u>150,000</u>	<u>19,422</u>
Available fund balance, June 30	<u>\$ 126,735</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (126,735)</u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CURRICULUM DEVELOPMENT AND TECHNOLOGY FUND - 241
 For the Year Ended
 June 30, 2015

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
2199 Excess county road funds	\$ -	\$ 512,000	\$ 512,000	\$ 512,000
Total revenue	<u>0</u>	<u>512,000</u>	<u>512,000</u>	<u>512,000</u>
Expenditures				
2000 Support services				
2573 Warehousing and distributing services				
400 Supplies and materials	<u>33,694</u>	<u>57,350</u>	<u>57,350</u>	<u>23,656</u>
Total support services	<u>33,694</u>	<u>57,350</u>	<u>57,350</u>	<u>23,656</u>
Total expenditures	<u>33,694</u>	<u>57,350</u>	<u>57,350</u>	<u>23,656</u>
Excess of revenues over (under) expenditures and net change in fund balance	(33,694)	454,650	454,650	488,344
Available fund balance, July 1	<u>33,694</u>	<u>57,350</u>	<u>57,350</u>	<u>23,656</u>
Available fund balance, June 30	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ALCOHOL AND DRUG PREVENTION FUND - 250
 For the Year Ended
 June 30, 2015

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
3200 Restricted grants-in-aid	\$ 4,650	\$ 3,500	\$ 3,500	\$ (1,150)
4500 Federal revenue thru state	108,012	125,000	125,000	16,988
Total revenue	112,662	128,500	128,500	15,838
Expenditures				
2000 Support services				
2190 Service direction, student support services				
100 Salaries	49,795	49,848	49,848	53
200 Associated payroll costs	33,217	32,129	32,129	(1,088)
300 Purchased services	26,533	41,984	41,984	15,451
400 Supplies and materials	3,440	3,846	3,846	406
2240 Instructional staff development				
400 Supplies and materials	-	2,800	2,800	2,800
Total support services	112,985	130,607	130,607	17,622
Total expenditures	112,985	130,607	130,607	17,622
Excess of revenues over (under) expenditures and net change in fund balance	(323)	(2,107)	(2,107)	(1,784)
Available fund balance, July 1	338	2,107	2,107	1,769
Available fund balance, June 30	\$ 15	\$ 0	\$ 0	\$ (15)

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PIPE FUND - 262
 For the Year Ended
 June 30, 2015

	<u>Actual</u>	<u>Budget</u>		<u>(Over) Under Budget</u>
		<u>Original</u>	<u>Final</u>	
Revenues				
4500 Federal revenue thru state	\$ 29,859	\$ -	\$ 39,650	\$ 9,791
Total revenue	<u>29,859</u>	<u>0</u>	<u>39,650</u>	<u>9,791</u>
Expenditures				
2000 Support services				
2212 Improvement of instruction services				
300 Purchased services	27,209	-	37,000	9,791
600 Other objects	<u>2,650</u>	<u>-</u>	<u>2,650</u>	<u>-</u>
Total support services	<u>29,859</u>	<u>0</u>	<u>39,650</u>	<u>9,791</u>
Total expenditures	<u>29,859</u>	<u>0</u>	<u>39,650</u>	<u>9,791</u>
Excess of revenues over (under) expenditures and net change in fund balance	0	0	0	0
Available fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Available fund balance, June 30	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
EASTERN OREGON CTE REVITALIZATION FUND - 263
For the Year Ended
June 30, 2015

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
3299 Restricted grants-in-aid	\$ 301,340	\$ -	\$ -	\$ (301,340)
Total revenue	<u>301,340</u>	<u>0</u>	<u>0</u>	<u>(301,340)</u>
Expenditures				
1000 Instruction				
1131 High school programs				
300 Purchased services	63,112	42,500	42,500	(20,612)
400 Supplies and materials	129,692	177,761	177,761	48,069
500 Capital outlay	63,907	90,865	90,865	26,958
600 Other objects	24,392	-	-	(24,392)
Total instruction	<u>281,103</u>	<u>311,126</u>	<u>311,126</u>	<u>30,023</u>
2000 Support services				
2212 Improvement of instruction services				
300 Purchased services	20,749	-	-	(20,749)
2240 Instructional staff development				
300 Purchased services	1,988	48,874	48,874	46,886
Total support services	<u>22,737</u>	<u>48,874</u>	<u>48,874</u>	<u>26,137</u>
Total expenditures	<u>303,840</u>	<u>360,000</u>	<u>360,000</u>	<u>56,160</u>
Excess of revenues over (under) expenditures and net change in fund balance	(2,500)	(360,000)	(360,000)	(357,500)
Prior period adjustment	5,000	-	-	(5,000)
Available fund balance, July 1	<u>(2,500)</u>	<u>360,000</u>	<u>360,000</u>	<u>362,500</u>
Available fund balance, June 30	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ODOT - WOMEN IN CONSTRUCTION TRADES FUND - 264
 For the Year Ended
 June 30, 2015

	<u>Actual</u>	<u>Budget</u>		<u>(Over) Under Budget</u>
		<u>Original</u>	<u>Final</u>	
Revenues				
3200 Restricted grants-in-aid	\$ 5,000	\$ 3,000	\$ 3,000	\$ (2,000)
Total revenue	<u>5,000</u>	<u>3,000</u>	<u>3,000</u>	<u>(2,000)</u>
Expenditures				
2000 Support services				
2210 Improvement of instruction services				
300 Purchased services	6,956	7,277	7,277	321
400 Supplies and materials	-	3,100	3,100	3,100
Total support services	<u>6,956</u>	<u>10,377</u>	<u>10,377</u>	<u>3,421</u>
Total expenditures	<u>6,956</u>	<u>10,377</u>	<u>10,377</u>	<u>3,421</u>
Excess of revenues over (under) expenditures and net change in fund balance	(1,956)	(7,377)	(7,377)	(5,421)
Available fund balance, July 1	<u>4,377</u>	<u>7,377</u>	<u>7,377</u>	<u>3,000</u>
Available fund balance, June 30	<u><u>\$ 2,421</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (2,421)</u></u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CARL PERKINS RESERVE FUND - 265
 For the Year Ended
 June 30, 2015

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
4500 Federal revenue thru state	\$ 34,643	\$ 27,000	\$ 27,000	\$ (7,643)
Total revenue	<u>34,643</u>	<u>27,000</u>	<u>27,000</u>	<u>(7,643)</u>
Expenditures				
2000 Support services				
2211 Service area direction				
100 Salaries	11,717	10,490	10,490	(1,227)
200 Associated payroll costs	4,126	3,622	3,622	(504)
300 Purchased services	19,526	11,288	11,288	(8,238)
400 Supplies and materials	-	5,000	5,000	5,000
600 Other objects	1,307	-	-	(1,307)
700 Transfers	-	1,600	1,600	1,600
Total support services	<u>36,676</u>	<u>32,000</u>	<u>32,000</u>	<u>(4,676)</u>
Total expenditures	<u>36,676</u>	<u>32,000</u>	<u>32,000</u>	<u>(4,676)</u>
Excess of revenues over (under) expenditures and net change in fund balance	(2,033)	(5,000)	(5,000)	(2,967)
Available fund balance, July 1	<u>2,033</u>	<u>5,000</u>	<u>5,000</u>	<u>2,967</u>
Available fund balance, June 30	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CARL PERKINS FUND - 266
For the Year Ended
June 30, 2015

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
4500 Federal revenue thru state	\$ 81,036	\$ 76,036	\$ 76,036	\$ (5,000)
Total revenue	<u>81,036</u>	<u>76,036</u>	<u>76,036</u>	<u>(5,000)</u>
Expenditures				
2000 Support services				
2212 Improvement of instruction				
100 Salaries	27,341	27,274	27,274	(67)
200 Associated payroll costs	9,093	9,416	9,416	323
300 Purchased services	30,937	17,500	17,500	(13,437)
400 Supplies and materials	12,668	21,846	21,846	9,178
600 Other objects	3,802	-	-	(3,802)
Total support services	<u>83,841</u>	<u>76,036</u>	<u>76,036</u>	<u>(7,805)</u>
Total expenditures	<u>83,841</u>	<u>76,036</u>	<u>76,036</u>	<u>(7,805)</u>
Excess of revenues over (under) expenditures and net change in fund balance	(2,805)	0	0	2,805
Available fund balance, July 1	<u>2,805</u>	-	-	<u>(2,805)</u>
Available fund balance, June 30	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MATH-IN-CTE FUND - 267
 For the Year Ended
 June 30, 2015

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
4500 Federal revenue thru state	\$ -	\$ -	\$ -	\$ -
Total revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
2000 Support services				
2212 Improvement of instruction				
300 Purchased services	-	-	-	-
Total support services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues over (under) expenditures and net change in fund balance	0	0	0	0
Available fund balance, July 1	<u>44</u>	<u>-</u>	<u>-</u>	<u>(44)</u>
Available fund balance, June 30	<u>\$ 44</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (44)</u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PRESCHOOL FUND - 270
 For the Year Ended
 June 30, 2015

	<u>Actual</u>	<u>Budget</u>		<u>(Over) Under Budget</u>
		<u>Original</u>	<u>Final</u>	
Revenues				
2199 Preschool grant	\$ 50,250	\$ 50,250	\$ 50,250	\$ -
Total revenue	<u>50,250</u>	<u>50,250</u>	<u>50,250</u>	<u>0</u>
Expenditures				
1000 Instruction				
1140 Pre-kindergarten programs				
700 Transfers	<u>50,250</u>	<u>50,250</u>	<u>50,250</u>	<u>-</u>
Total instruction	<u>50,250</u>	<u>50,250</u>	<u>50,250</u>	<u>0</u>
Total expenditures	<u>50,250</u>	<u>50,250</u>	<u>50,250</u>	<u>0</u>
Excess of revenues over (under) expenditures and net change in fund balance	0	0	0	0
Available fund balance, July 1	<u>(11)</u>	<u>-</u>	<u>-</u>	<u>11</u>
Available fund balance, June 30	<u><u>\$ (11)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 11</u></u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF PROPERTY TAX TRANSACTIONS
 For the Year Ended
 June 30, 2015

Tax Year	Uncollected Taxes Beginning	Current Assessment	Abatements and Adjustments	Rebates	Interest Collected	Taxes Collected	Total Collected	Uncollected Taxes Ending
2014-15	\$ -	\$ 2,015,537	\$ (131)	\$ (47,109)	\$ 2,138	\$ 1,880,847	\$ 1,882,985	\$ 87,450
2013-14	100,759	-	(18)	-	5,545	46,072	51,617	54,669
2012-13	58,941	-	(37)	-	5,512	18,875	24,387	40,029
2011-12	38,122	-	(37)	-	8,203	17,727	25,930	20,358
2010-11	19,759	-	(38)	-	6,919	12,239	19,158	7,482
2009-10	7,492	-	(53)	-	1,486	2,038	3,524	5,401
2008-09	4,492	-	(63)	-	660	735	1,395	3,694
2007-08	3,672	-	(67)	-	396	365	761	3,240
Prior	37,994	-	(462)	-	386	246	632	37,286
	<u>\$ 271,231</u>	<u>\$ 2,015,537</u>	<u>\$ (906)</u>	<u>\$ (47,109)</u>	<u>\$ 31,245</u>	<u>\$ 1,979,144</u>	<u>\$ 2,010,389</u>	<u>\$ 259,609</u>

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
STATEMENT OF TRANSACTIONS WITH COUNTY TREASURER
 For the Year Ended
 June 30, 2015

	Grant County
Cash on hand, July 1	\$ -
Treasurer's receipts	
Tax collections - current year	1,882,451
Tax collections - prior year	120,127
Interest	476
Other	4,611
	2,007,665
Total receipts	2,007,665
Total available	2,007,665
Treasurer's disbursements	
Turnover to other districts	2,007,665
	2,007,665
Total disbursements	2,007,665
Cash on hand, June 30	\$ 0

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND - 100
 For the Year Ended
 June 30, 2015

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services
1000 Instruction			
1250 Students with disabilities	\$ 87,405	\$ 72,898	\$ 7,872
1299 Other programs	-	-	-
Total 1000 instruction	<u>89,974</u>	<u>75,659</u>	<u>7,872</u>
2000 Support services			
2110 Attendance and social work services	-	-	619
2150 Speech pathology and audiology	115,715	94,434	51,058
2190 Service area direction, student support services	36,775	15,283	1,000
2210 Site council	66,292	40,335	5,373
2211 Service area direction	4,340	1,591	15,571
2310 Board of education	-	-	22,098
2320 Executive administration	84,562	44,829	7,578
2520 Fiscal services	74,616	43,909	2,927
2540 Operation of plant	-	-	72,054
2660 Technology services	171,817	117,063	13,019
2669 Other technology services	-	-	21,575
Total 2000 support services	<u>554,117</u>	<u>357,444</u>	<u>212,872</u>
6000 Contingencies			
6110 Operating contingency	-	-	-
Total 6000 contingencies	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>\$ 644,091</u>	<u>\$ 433,103</u>	<u>\$ 220,744</u>

400 Supplies and Materials	500 Capital Outlay	600 Other Objects	Total	Budget		(Over)Under Budget
				Original	Final	
\$ 3,702	\$ -	\$ -	\$ 171,877	\$ 223,132	\$ 223,132	\$ 51,255
1,313	-	-	1,313	4,200	4,200	2,887
5,015	0	0	178,520	227,332	227,332	48,812
-	-	-	619	200	200	(419)
1,947	-	-	263,154	251,398	251,398	(11,756)
-	-	-	53,058	75,223	75,223	22,165
2,073	-	-	114,073	130,916	130,916	16,843
8,664	-	-	30,166	11,151	11,151	(19,015)
714	-	7,797	30,609	29,330	29,330	(1,279)
1,920	-	621	139,510	122,977	122,977	(16,533)
5,523	-	125	127,100	140,330	140,330	13,230
55,758	729,340	4,472	861,624	32,500	132,500	(729,124)
34,320	-	1,963	338,182	377,175	377,175	38,993
-	-	-	21,575	14,400	14,400	(7,175)
110,919	729,340	14,978	1,979,670	1,185,600	1,285,600	(694,070)
-	-	-	-	298,000	298,000	298,000
0	0	0	0	298,000	298,000	298,000
\$ 115,934	\$ 729,340	\$ 14,978	\$ 2,158,190	\$ 1,710,932	\$ 1,810,932	\$ (347,258)

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended
 June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Receipts	Expenditures
U. S Department of Education			
<i>Passed through the Oregon Dept of Education</i>			
IDEA Part B	84.027	\$ 178,211	\$ 178,211
Career and Technical Education	84.048	145,538	145,538
IDEA Part B	84.173	<u>2,578</u>	<u>2,578</u>
Total U.S. Department of Education		<u>326,327</u>	<u>326,327</u>
Department of Health and Human Services			
<i>Direct program</i>			
Drug-Free Communities (DFC) Support Program	93.276	<u>108,012</u>	<u>108,012</u>
Total Federal Assistance		<u>\$ 434,339</u>	<u>\$ 434,339</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2015

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Grant County Education Service District John Day, Oregon, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

SCHEDULE OF FINDINGS AND RESPONSES

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GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015

SIGNIFICANT DEFICIENCIES IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2015-001

Segregation of Duties

Criteria: Custody, recording, and authorization functions should be segregated among different personnel over each significant transaction cycle when possible to provide adequate internal control for the prevention, detection, and correction of error or fraud.

Condition: Our evaluation of the district's internal control structure disclosed that the district does not have adequate segregation of duties. Accounting duties for main transaction cycles are concentrated on one individual which result in incompatible functions to provide proper segregation of duties.

Cause: The number of district employees has been limited due to the size and financial resources of the district.

Effect: Without separation of critical duties, accounting errors or fraud may not be prevented, detected, or corrected in a timely manner.

Recommendations: We acknowledge that a complete separation of duties (such as treasury functions from accounting functions) is not possible due to staffing limitations. We recommend, however, that management review accounting positions and functions to identify specific duties that could be separated among the available personnel to achieve the strongest control possible under the circumstances.

In order to achieve adequate segregation of duties the internal control structure will need to be distributed among all available employees and directors. Those whose duties have traditionally been limited to oversight duties will need to be involved at some level with the treasury or accounting function.

An example of this type of segregation would be for the monthly bank statement to be received unopened and reconciled by someone not involved in approving invoices, preparing checks, entering transactions, signing checks, and mailing the payments.

With some thought and creativity we are confident that you will be able to identify specific areas where segregation should occur and the steps necessary to achieve this segregation. We are available to assist you in this process through analysis and training where needed.

Responsible Official's Response: Management understands the importance of segregation of duties and the need to address these matters in an informed, cost-beneficial way. As a result of our cost-benefit analysis we have determined the value of incurring the additional expense of hiring a staff person in order to provide additional segregation of duties does not justify the cost. We will however review our processes and attempt to identify ways to involve other employees and directors in order to improve our segregation.

GRANT COUNTY EDUCATION SERVICE DISTRICT
John Day, Oregon
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015

MATERIAL WEAKNESS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2015-002

Financial Statement Preparation

Criteria: The financial statements are the responsibility of the district's management, including the prevention or detection of material misstatements in the presentation and disclosure of the financial statements. Non-attest services performed by the auditor in the preparation of the financial statements cannot be considered compensating controls.

Condition: The district engages their auditors to provide non-attest services for the preparation of its financial statements. Although common for municipalities the size of the district, this condition represents a control deficiency over the financial reporting process that is required to be reported under professional standards as long as management makes all financial reporting decisions, and accepts responsibility for the content of the financial statements. However, those activities performed by the auditor are not a substitute for, or extension of, internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP).

Cause: The district's accounting personnel do not possess the advanced training that would provide the expertise necessary to prepare the financial statements and related notes in accordance with GAAP, and therefore may not be able to prevent or detect a material misstatement in the preparation and disclosure of the financial statements. Misstatements in financial statements may include not only misstated financial amounts, but also the omission of disclosures required by GAAP.

Effect: Material misstatement in the preparation and disclosure of the financial statements in accordance with GAAP may not be prevented or detected. Misstatements in financial statements include not only misstated dollar amounts, but also the omission of disclosures required under GAAP.

Recommendations: We understand that it may not be practical to acquire or allocate the internal resources to perform all of the controls necessary over financial reporting. However, management (including the Board of Directors) should mitigate this deficiency by keeping informed about the district's internal controls, performing supervisory reviews, studying the financial statements and related footnote disclosures, and understanding its responsibility for the financial statements as a whole.

This deficiency is related specifically to the preparation of GAAP basis financial statements and does not adversely affect the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with their budget basis of accounting.

Responsible Official's Response: We understand the importance of risk management and the need to address risks in an informed, cost-beneficial way. As a result of our cost-benefit analysis we have determined the value of incurring the additional expense of hiring a staff person or another firm to prepare our financial statements does not justify the cost.

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Grant County Education Service District
John Day, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Grant County Education Service District (the district) as of and for the year ended June 30, 2015, and have issued our report thereon dated December 28, 2015.

COMPLIANCE

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

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

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

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*, with the exception of the following violations of Oregon Local Budget Law. Expenditures were in excess of appropriations in the General Fund support services and other uses, Carl Perkins Reserve Fund support services, and Carl Perkins Fund support services. The overexpenditures in the General Fund support services are a result of significant unexpected expenditures due to significant fire damage at the district office. Insurance proceeds were received to cover these costs. In September 2014, the board declared an emergency situation. The insurance proceeds were recognized, received, and expended in the same year. The overexpenditures related to these costs is an exception to Oregon Local Budget Law.

OAR 162-10-0230 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.

Our Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 28, 2015, is presented under separate cover.

RESTRICTIONS ON USE

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

Oster Professional Group, CPA's, LLP

By Robert H. Armstrong

John Day, Oregon
December 28, 2015

Print Form

OREGON AUDITS DIVISION
SUMMARY OF REVENUES AND EXPENDITURES

Municipal Customer # 000098

Name of Municipal Corporation Grant County Education Service District

Address STREET / PO BOX 835 S Canyon Blvd.

CITY John Day STATE Oregon ZIP 97845

Period Covered by Audit/Review Report From July 1, 2014 To June 30, 2015

Table with 2 columns: Description and Amount. Rows include Total Revenues and/or Receipts (\$5,188,591), Less: Revenues of Component Units, Taxes, assessments and other collections (1,243,058), and Net Revenues and/or Receipts (\$3,945,533).

Table with 2 columns: Description and Amount. Rows include Total Expenditures and/or Disbursements (3,306,827), Less: Expenditures of Component Units, Turnovers to other municipal corporations (Taxes and Assessments: 1,243,058), Other Distributions, and Net Expenditures and/or Disbursements (\$2,063,769).

The above information is based upon the revenues and expenditures/expenses for government-wide and fiduciary activities of the municipal corporation on the basis of accounting used in the audited or reviewed financial statements.

Auditor/Firm Signature (type if submitting electronically) Robert M. Armstrong

PLEASE ENCLOSE PAYMENT WITH SUMMARY

Table with 4 columns: Over, Not Over, Fee, and ORS 297.485 (1). It details filing fees based on net expenditures and/or disbursements.

Within 30 days after delivering the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Division of Audits, Salem, Oregon 97310, and one copy must be delivered to the municipal corporation.

OREGON DEPARTMENT OF EDUCATION
REQUIRED INFORMATION

FORM 581-3211-C - SUPPLEMENTAL INFORMATION

GRANT COUNTY EDUCATION SERVICE DISTRICT
 John Day, Oregon
OREGON DEPARTMENT OF EDUCATION REQUIRED INFORMATION
FORM 581-3211 - SUPPLEMENTAL INFORMATION
 June 30, 2015

A. Energy bills for heating – Enter expenditures for electricity and heating fuel for these functions and objects.

Function	Objects 325 and 326
2540	\$ 8,865
2550	\$ -

B. Replacement of equipment - general fund expenditures in objects 542, except for the following exclusions:

\$ -

Exclude these functions:

- 1113 Co-curricular activities
- 1122 Co-curricular activities
- 1132 Co-curricular activities
- 1140 Pre-kindergarten
- 1300 Adult/continuing education
- 1400 Summer school
- 4150 Facilities, acquisition and construction
- 2550 Student transportation
- 3100 Food services
- 3300 Community services

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Grant County Education Service District
John Day, Oregon

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grant County Education Service District (the district), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the district's basic financial statements, and have issued our report thereon dated December 28, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. See Report Required by Oregon State Regulations for issues associated with noncompliance with local budget law.

District's Response to Findings

The district's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The district's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Oster Professional Group, CPA's, LLP

By *Robert H. Armstrong*

John Day, Oregon
December 28, 2015