



ALSEA SCHOOL DISTRICT
Benton County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2018



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS
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ALSEA SCHOOL DISTRICT
Benton County, Oregon

DISTRICT OFFICIALS

June 30, 2018

BOARD MEMBERS

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P.O. Box 113
Alsea, Oregon 97324

Jeff Davis
PO Box 131
Alsea, Oregon 97324

Ron Koetz
PO Box 155
Alsea, OR 97324

Debra Lindberg
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15743 Lobster Valley Road
Alsea, OR 97324

ADMINISTRATION

Marc Thielman
Superintendent

Katie Sapp
Business Manager

ALSEA SCHOOL DISTRICT
Benton County, Oregon

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FINANCIAL SECTION



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alsea School District
Alsea, Oregon 97324

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Alsea School District, Benton County, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Basis for Modified Opinion

Management has not obtained an actuarial valuation for the District's post-employment benefit obligations. Accounting principles generally accepted in the United States of America require that actuarially determined annual required contributions related to post-employment benefits, attributable to employee services already rendered, be recorded as expenses as employees earn the benefits, which, if not funded, would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect net position, liabilities, and expenses of the government-wide financial statements is not reasonably determinable.

Modified Opinion

In our opinion, based on our audit and the report of other auditors, except for the effects of the matter described in the "Basis for Modified Opinion" paragraph, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Alesa School District, Benton County, Oregon as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2018, the District adopted new accounting guidance: GASB Statements No. 85, *Omnibus 2017* and No. 86, *Certain Debt Extinguishment Issues*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of the District's proportionate share of the net pension liability and District contributions on pages 4 through 10 and 40, respectively, 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 aforementioned required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The aforementioned information is the responsibility of management, and was derived from and relates 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 other information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 31, 2018, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC

By: 

Glen O. Kearns, CPA

Albany, Oregon
December 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

ALSEA SCHOOL DISTRICT
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of Alsea School District, Benton County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2018, total net position of Alsea School District amounted to \$(38,239). Of this amount, \$695,753 was invested in capital assets. The remaining balance included \$3,041 restricted for special projects, \$39,179 restricted for student activities and memorials, and \$(776,212) of unrestricted net position.
- At June 30, 2018, the District's governmental funds reported combined ending fund balances of \$606,808.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found on pages 11 through 12 of this report.

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All the funds of Alsea School District can be divided into two categories: governmental funds and fiduciary funds.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

□ **Governmental Funds**

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

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

The District maintains five individual governmental 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, Special Funds, Federal Lunch Program Fund, Student Body Fund, and Capital Projects Fund, all of which are considered to be major governmental funds.

Alsea School District adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets, but are not a required part of the basic financial statements.

The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17 through 39 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, which includes the schedules of the District's proportionate share of the net pension liability and District contributions. This other information can be found on page 40 of this report.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2018, the District's liabilities exceeded assets by \$38,239.

A large portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, and equipment). The District uses these capital assets for classrooms and supporting services for providing kindergarten through twelfth grade education; consequently, these assets are not available for future spending.

District's Net Position

The net position of the District decreased by \$296,756 during the current fiscal year. This decrease is primarily due to increases in regular and special program expenses and business support services. Condensed statement of net position information is shown below.

Condensed Statement of Net Position

| | Governmental Activities | |
|---------------------------------------|--------------------------------|-------------------|
| | <u>2018</u> | <u>2017</u> |
| Assets | | |
| Current and other assets | \$ 788,507 | \$ 967,542 |
| Restricted assets | 8,894 | 60,766 |
| Net capital assets | <u>837,758</u> | <u>810,566</u> |
| Total assets | <u>1,635,159</u> | <u>1,838,874</u> |
| Deferred outflows of resources | <u>833,912</u> | <u>1,277,815</u> |
| Liabilities | | |
| Current liabilities | 250,475 | 217,996 |
| Noncurrent liabilities | <u>2,088,442</u> | <u>2,438,524</u> |
| Total liabilities | <u>2,338,917</u> | <u>2,656,520</u> |
| Deferred inflows of resources | <u>168,393</u> | <u>201,652</u> |
| Net position | | |
| Net investment in capital assets | 695,753 | 586,695 |
| Restricted for: | | |
| Special projects | 3,041 | 2,945 |
| Federal lunch program | - | 3,979 |
| Student activities | 26,030 | 30,130 |
| Memorials | 13,149 | 14,316 |
| Unrestricted | <u>(776,212)</u> | <u>(379,548)</u> |
| Total net position | <u>\$ (38,239)</u> | <u>\$ 258,517</u> |

ALSEA SCHOOL DISTRICT
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

District's Changes in Net Position

The condensed statement of activities information shown below explains changes in net position.

Changes in Net Position

| | Governmental Activities | |
|---|--------------------------------|--------------------------|
| | <u>2018</u> | <u>2017</u> |
| Program revenues | | |
| Regular programs | \$ 28,793 | \$ 21,961 |
| Special programs | 72,120 | 59,911 |
| Food services | 114,707 | 53,619 |
| Facilities acquisition and construction | <u>26,692</u> | <u>25,606</u> |
| Total program revenues | <u>242,312</u> | <u>161,097</u> |
| General revenues | | |
| Property taxes | 387,640 | 361,667 |
| State school fund – general support | 2,141,437 | 2,053,720 |
| Common and county school fund | 24,057 | 33,352 |
| Unrestricted grants and contributions | 50,941 | 62,685 |
| Investment earnings | 17,749 | 12,420 |
| Miscellaneous | <u>109,156</u> | <u>53,220</u> |
| Total general revenues | <u>2,730,980</u> | <u>2,577,064</u> |
| Total revenues | <u>2,973,292</u> | <u>2,738,161</u> |
| Program expenses | | |
| Regular programs | 1,466,633 | 1,285,144 |
| Special programs | 374,174 | 325,894 |
| Student support services | 9,606 | 26,050 |
| Instructional staff support | 10,007 | 13,775 |
| General administrative support | 98,565 | 99,836 |
| School administrative support | 181,536 | 168,799 |
| Business support services | 879,096 | 742,041 |
| Central activities support | 63,486 | 67,541 |
| Food services | 94,141 | 77,820 |
| Facilities acquisition and construction | 26,095 | - |
| Debt service | 4,227 | 6,262 |
| Unallocated depreciation expense | <u>62,482</u> | <u>57,681</u> |
| Total program expenses | <u>3,270,048</u> | <u>2,870,843</u> |
| Change in net position | (296,756) | (132,682) |
| Net position - beginning of year | <u>258,517</u> | <u>391,199</u> |
| Net position - end of year | <u><u>\$ (38,239)</u></u> | <u><u>\$ 258,517</u></u> |

ALSEA SCHOOL DISTRICT
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues

Since the District's mission is to provide a free and appropriate public education for kindergarten through twelfth grade students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide almost 92% of the funding required for governmental programs. Property taxes and state school funding combined for 93% of general revenues and 85% of total revenues.

Charges for services make up less than 1% of total revenues and are composed of the following, for which it is appropriate that the District charge tuition or fees:

| | |
|----------------------------|------------------|
| • Regular programs | \$ 20,314 |
| • Food services | <u>7,676</u> |
| Total charges for services | <u>\$ 27,990</u> |

Operating grants and contributions represent fewer than 8% of total revenues. Included in this category \$8,479 for regular programs, \$79,734 of federal and state reimbursements for special education programs, \$107,536 for grants and contributions to support various educational activities, and \$26,692 for facilities acquisition and construction.

Expenses

Expenses related to governmental activities are presented in several broad functional categories. Costs of direct classroom instruction activities account for 56% of the total expenses of \$3,270,048. In addition, approximately 38% of the costs in supporting services relate to students, instructional staff, and school administration.

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 near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$606,808. Of this amount, \$3,041 was restricted for special projects, \$39,179 was restricted for student activities and memorials, \$11,310 was assigned to bus replacement, and \$52,412 was assigned to capital projects.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

The remaining balance of \$500,866 constitutes unassigned fund balance, which is available for spending at the District's discretion. The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was \$517,202, of which \$505,892 was unassigned fund balance.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts, one approved supplemental budget and two approved appropriation changes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's investment in capital assets for its governmental activities as of June 30, 2018 amounted to \$837,758, net of accumulated depreciation. This investment in capital assets includes buildings and improvements, equipment, and vehicles. The total depreciation related to the District's investment in capital assets for the current fiscal year was \$62,482. Additional information on the District's capital assets can be found on page 28 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total debt outstanding of \$142,005. This amount consists of two bus leases. Additional information on the District's long-term debt can be found on pages 29 through 30 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its future financial health:

- The budget for 2018-2019 has total appropriations of \$3,404,182. Operating resources and uses are expected to be similar to the current year. The District's finances are significantly impacted by the economic conditions in the State of Oregon and the State's General Fund Budget. The current economic forecast in Oregon indicates resources have stabilized and modest growth may occur over the next biennium. The District will continue to identify efficiencies and cost saving measures while monitoring the ever changing economic climate to insure continued support to our component school districts and the students we collectively serve.

The ending unassigned General Fund balance of \$505,892 will be available for program resources in the 2018-2019 fiscal year.

All of these factors were considered in preparing the District's budget for the 2018-2019 fiscal year.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Manager at the following address: P.O. Box B, Alsea, Oregon 97324.

BASIC FINANCIAL STATEMENTS

ALSEA SCHOOL DISTRICT
Benton County, Oregon
STATEMENT OF NET POSITION

June 30, 2018

| | <u>Governmental Activities</u> |
|---------------------------------------|------------------------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 702,082 |
| Grants receivable | 62,486 |
| Property taxes receivable | <u>23,939</u> |
| Total current assets | <u>788,507</u> |
| Restricted assets | |
| Cash and cash equivalents | 8,894 |
| Capital assets being depreciated, net | <u>837,758</u> |
| Total assets | <u>1,626,265</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>833,912</u> |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 18,978 |
| Accrued liabilities | 147,549 |
| Lease payable, current portion | <u>83,948</u> |
| Total current liabilities | <u>250,475</u> |
| Noncurrent liabilities | |
| Net pension liability | 2,030,385 |
| Lease payable, less current portion | <u>58,057</u> |
| Total noncurrent liabilities | <u>2,088,442</u> |
| Total liabilities | <u>2,338,917</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>168,393</u> |
| NET POSITION | |
| Net investment in capital assets | 695,753 |
| Restricted for: | |
| Special projects | 3,041 |
| Student activities | 26,030 |
| Memorials | 13,149 |
| Unrestricted | <u>(776,212)</u> |
| Total net position | <u>\$ (38,239)</u> |

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

ALSEA SCHOOL DISTRICT
Benton County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|--|---------------------|---------------------------------|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental activities | | | | |
| Instruction | | | | |
| Regular programs | \$ 1,466,633 | \$ 20,314 | \$ 8,479 | \$ (1,437,840) |
| Special programs | 374,174 | - | 72,120 | (302,054) |
| Support services | | | | |
| Student support services | 9,606 | - | - | (9,606) |
| Instructional staff support | 10,007 | - | - | (10,007) |
| General administrative support | 98,565 | - | - | (98,565) |
| School administrative support | 181,536 | - | - | (181,536) |
| Business support services | 879,096 | - | - | (879,096) |
| Central activities support | 63,486 | - | - | (63,486) |
| Food services | 94,141 | 7,676 | 107,031 | 20,566 |
| Facilities acquisition and construction | 26,095 | - | 26,692 | 597 |
| Interest on long-term debt | 4,227 | - | - | (4,227) |
| Unallocated depreciation expense | <u>62,482</u> | <u>-</u> | <u>-</u> | <u>(62,482)</u> |
| Total governmental activities | <u>\$ 3,270,048</u> | <u>\$ 27,990</u> | <u>\$ 214,322</u> | <u>(3,027,736)</u> |
| General revenues | | | | |
| Property taxes | | | | 387,640 |
| State school fund - general support | | | | 2,141,437 |
| Common school fund | | | | 20,828 |
| County school fund | | | | 3,229 |
| Unrestricted grants and contributions | | | | 50,941 |
| Investment earnings | | | | 17,749 |
| Miscellaneous | | | | <u>109,156</u> |
| Total general revenues | | | | <u>2,730,980</u> |
| Change in net position | | | | (296,756) |
| Net position - beginning | | | | <u>258,517</u> |
| Net position - ending | | | | <u>\$ (38,239)</u> |

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

ALSEA SCHOOL DISTRICT
Benton County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2018

| | General Fund | Special Revenue Funds | Federal Lunch Program Fund | Student Body Fund | Capital Projects Fund | Total Governmental Funds |
|--|--------------------------|-----------------------------|----------------------------------|-------------------------|-----------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 649,670 | \$ - | \$ - | \$ 39,179 | \$ 52,412 | \$ 741,261 |
| Grants receivable | 28,032 | 30,968 | 3,486 | - | - | 62,486 |
| Property taxes receivable | 23,939 | - | - | - | - | 23,939 |
| Total assets | <u>\$ 701,641</u> | <u>\$ 30,968</u> | <u>\$ 3,486</u> | <u>\$ 39,179</u> | <u>\$ 52,412</u> | <u>\$ 827,686</u> |
| LIABILITIES | | | | | | |
| Bank overdraft | \$ - | \$ 25,311 | \$ 4,974 | \$ - | \$ - | \$ 30,285 |
| Accounts payable | 15,374 | 66 | 3,538 | - | - | 18,978 |
| Accrued liabilities | 147,549 | - | - | - | - | 147,549 |
| Total liabilities | <u>162,923</u> | <u>25,377</u> | <u>8,512</u> | <u>-</u> | <u>-</u> | <u>196,812</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue - property taxes | 21,516 | 2,550 | - | - | - | 24,066 |
| FUND BALANCES (DEFICIT) | | | | | | |
| Restricted | - | 3,041 | - | 39,179 | - | 42,220 |
| Assigned | 11,310 | - | - | - | 52,412 | 63,722 |
| Unassigned | 505,892 | - | (5,026) | - | - | 500,866 |
| Total fund balances (deficit) | <u>517,202</u> | <u>3,041</u> | <u>(5,026)</u> | <u>39,179</u> | <u>52,412</u> | <u>606,808</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 701,641</u> | <u>\$ 30,968</u> | <u>\$ 3,486</u> | <u>\$ 39,179</u> | <u>\$ 52,412</u> | <u>\$ 827,686</u> |

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

ALSEA SCHOOL DISTRICT
Benton County, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2018

| | | | |
|---|--|-----------|-----------------|
| Total fund balances | | \$ | 606,808 |
| Capital assets are not financial resources and are therefore not reported in the governmental funds: | | | |
| Cost | | | 1,918,249 |
| Accumulated depreciation | | | (1,080,491) |
| | | | 837,758 |
| Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds. | | | |
| | | | 24,066 |
| Amounts relating to the District's proportionate share of the net pension liability or assets for the Oregon Public Employees Retirement System (PERS) are not reported in governmental fund statements. In the governmental fund statements, pension expense is recognized as an expenditure when due. The amounts consist of: | | | |
| Deferred outflows of resources relating to pension expense | | | 833,912 |
| Deferred inflows of resources relating to the return on plan assets | | | (168,393) |
| Net pension asset (liability) | | | (2,030,385) |
| | | | (1,364,866) |
| Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of: | | | |
| Lease payable | | | (142,005) |
| | | | (142,005) |
| Net position of governmental activities | | \$ | (38,239) |

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

ALSEA SCHOOL DISTRICT
Benton County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

| | General Fund | Special Revenue Funds | Federal Lunch Program Fund | Student Body Fund | Capital Projects Fund | Total Governmental Funds |
|---|-------------------|-----------------------------|----------------------------------|-------------------------|-----------------------------|--------------------------------|
| REVENUES | | | | | | |
| Local revenue | \$ 506,052 | \$ - | \$ 7,676 | \$ 45,399 | \$ - | \$ 559,127 |
| Intermediate revenue | 3,229 | 3,081 | - | - | - | 6,310 |
| State revenue | 2,185,716 | 61,513 | 1,307 | - | - | 2,248,536 |
| Federal revenue | - | 106,132 | 56,748 | - | - | 162,880 |
| Total revenues | <u>2,694,997</u> | <u>170,726</u> | <u>65,731</u> | <u>45,399</u> | <u>-</u> | <u>2,976,853</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Instruction | 1,540,999 | 167,481 | - | 50,667 | - | 1,759,147 |
| Support services | 1,211,522 | 3,149 | - | - | - | 1,214,671 |
| Food services | - | - | 94,141 | - | - | 94,141 |
| Debt service | 86,093 | - | - | - | - | 86,093 |
| Capital outlay | 52,900 | - | - | - | 26,095 | 78,995 |
| Total expenditures | <u>2,891,514</u> | <u>170,630</u> | <u>94,141</u> | <u>50,667</u> | <u>26,095</u> | <u>3,233,047</u> |
| Excess (deficiency) of revenues over (under) expenditures | (196,517) | 96 | (28,410) | (5,268) | (26,095) | (256,194) |
| OTHER FINANCING | | | | | | |
| SOURCE (USES) | | | | | | |
| Transfers in | - | - | 19,405 | - | 2,500 | 21,905 |
| Transfers out | (21,905) | - | - | - | - | (21,905) |
| Total other financing sources (uses) | <u>(21,905)</u> | <u>-</u> | <u>19,405</u> | <u>-</u> | <u>2,500</u> | <u>-</u> |
| Net change in fund balances | (218,422) | 96 | (9,005) | (5,268) | (23,595) | (256,194) |
| Fund balances - beginning | <u>735,624</u> | <u>2,945</u> | <u>3,979</u> | <u>44,447</u> | <u>76,007</u> | <u>863,002</u> |
| Fund balances - ending | <u>\$ 517,202</u> | <u>\$ 3,041</u> | <u>\$ (5,026)</u> | <u>\$ 39,179</u> | <u>\$ 52,412</u> | <u>\$ 606,808</u> |

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

ALSEA SCHOOL DISTRICT
Benton County, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Net change in fund balances \$ (256,194)

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

Governmental funds report expenditures for capital assets; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported net of depreciation expense. This is the amount by which capital outlay exceeded depreciation in this current period.

| | | |
|---|-----------------|--------|
| Expenditures for capital assets | 89,674 | |
| Depreciation expense recorded in the current year | <u>(62,482)</u> | 27,192 |

Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. These amounts consist of:

| | | |
|---------------------|--|--------|
| Debt principle paid | | 81,866 |
|---------------------|--|--------|

Pension expense or credits that do not meet the measurable and available criteria are not recognized as revenue or expense in the current year in the governmental funds. In the statement of activities, pension expense or credit is recognized when determined to have been accrued.

| | | |
|-----------------------|--|-----------|
| Net pension liability | | (146,059) |
|-----------------------|--|-----------|

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

| | | |
|--|--|----------------|
| | | <u>(3,561)</u> |
|--|--|----------------|

| | | |
|-------------------------------|--|----------------------------|
| Change in net position | | <u><u>\$ (296,756)</u></u> |
|-------------------------------|--|----------------------------|

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

NOTES TO BASIC FINANCIAL STATEMENTS

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Alsea School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting policies as described below.

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the District. Governmental Activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported by the District.

B. Reporting Entity

Alsea School District was previously organized under ORS Chapter 330 for the purpose of operating elementary and secondary schools. Effective July 1, 2017, the District has elected to be a single district charter school organization under ORS 338.065. The District is subject to ORS 338 in connection with the operation of public charter schools. The District is governed by a five-member board of directors.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from all of the District's funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds, if any, are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The primary sources of revenue are property taxes and state revenues.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Special Revenue Funds

Special Revenue Funds – The Special Revenue Funds account for program revenues and expenditures related to grant programs. The primary source of revenue is federal grant monies.

Federal Lunch Program Fund – The Federal Lunch Program Fund accounts for program revenues and expenditures related to the District’s lunch program. The primary source of revenue is federal grant monies and charges for services.

Student Body Fund – The Student Body Fund accounts for program revenues and expenditures related to the District’s student body activities and memorial funds. The primary source of revenue is fundraising.

Capital Projects Fund – The Capital Projects Fund accounts for the acquisition of temporary or permanent structures to be used to educate students. The primary source of revenue is transfers from the General Fund.

Additionally, the District reports the Bus Replacement Fund, as described below, which is presented in the General Fund for financial statement reporting purposes in accordance with GASB Statement No. 54. A budget and actual statement is presented for this fund for purposes of additional analysis.

Bus Replacement Fund – The Bus Replacement Fund accounts for resources to be used to purchase school buses. The primary source of revenue is transfers from the General Fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds.

While these balances are reported in fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e. the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out.

While reported in fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The District did not implement the most current accounting guidance: GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which are GAAP departures. If the District reported in accordance with the most recent GASB requirements, reported results may differ from those currently presented.

F. Budgetary Information

1. Budgetary Basis of Accounting

The District is not subject to Oregon Budget Law. The District prepares an annual budget for management purposes, as required under the terms of its charter. Budgetary comparison schedules are included in this report for additional analysis. Annual budgets are adopted on the modified accrual basis of accounting. Budget amounts shown in the financial statements reflect the original budget amounts.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

G. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

2. Investments

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

3. Grants Receivable

Receivables are recorded as revenue when earned. No allowance for uncollectible accounts has been established, as management deems all receivables collectible.

4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables."

Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds are eliminated in the statement of net position.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

The reported value of capital assets excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in progress, when applicable, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Equipment | 5-30 |
| Vehicles | 10 |
| Buildings and improvements | 10-50 |

6. Deferred Outflows/Inflows of Resources (Non-Pension Related)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources.

In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

8. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The school board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The school board has by resolution authorized the Business Manager to assign fund balance.

The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. Commitment of fund balance is accomplished through adoption of a resolution or ordinance by the board of directors. Further, commitments of fund balance may be modified or rescinded only through approval of the board of directors via resolution or ordinance. Authority to assign fund balances has been granted to the Business Manager.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts that District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District has not formally adopted a minimum fund balance policy.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15. Uncollected property

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

taxes are shown as assets in the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Pensions

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

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Noncompliance with Public Contracts and Purchasing

The District was in violation of Oregon Revised Statutes related to public contracts and purchasing.

2. Deficit Fund Balance

The Federal Lunch Fund had a deficit fund balance as of June 30, 2018. The District will remedy this with transfers in the upcoming year.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash Deposits with Financial Institutions

Alsea School District maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts.

Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances. Investments, including amounts held in pooled cash and

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. The District participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company.

The State's investment policies are governed by the Oregon Revised Statutes (ORC) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments. The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report (CAFR). A copy of the State's CAFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

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

- *Level 1* - Unadjusted quoted prices for identical investments in active markets.
- *Level 2* - Observable inputs other than quoted market prices; and,
- *Level 3* - Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2018.

Fair values of assets measured on a recurring basis at June 30, 2018 shown on the next page are as follows:

| | |
|---|-------------------|
| | <u>Level 2</u> |
| Investments: | |
| Oregon Local Government Investment Pool | \$ <u>427,835</u> |

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool.

The board may authorize the investment or reinvestment of funds that are not immediately needed for operations of the District. Such investments will comply with state law and Oregon Administrative Rules.

Investments

As of June 30, 2018, the District had the following investments:

| | Credit Quality Rating | Maturities | Fair Value |
|---|--------------------------|------------|-------------------|
| Oregon Local Government Investment Pool | Unrated | - | \$ <u>427,835</u> |

Interest Rate Risk

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The District does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the District's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories.

Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The District holds accounts at Citizens Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2018, the District had deposits of \$250,000 insured by the FDIC, and \$72,353 collateralized by the PFCP.

Deposits

The District's deposits and investments at June 30, 2018 are as follows:

| | |
|--------------------------------|--------------------------|
| Checking accounts | \$ 283,141 |
| Total investments | <u>427,835</u> |
| Total deposits and investments | <u><u>\$ 710,976</u></u> |

Cash and investments by fund:

| | |
|--|--------------------------|
| Governmental activities - unrestricted | |
| General Fund | \$ 649,670 |
| Capital Projects Fund | <u>52,412</u> |
| Total governmental activities - unrestricted | <u>702,082</u> |
| Governmental activities - restricted | |
| Special Revenue Funds (book overdraft) | (25,311) |
| Federal Lunch Program Fund (book overdraft) | (4,974) |
| Student Body Fund | <u>39,179</u> |
| Total governmental activities - restricted | <u>8,894</u> |
| Total cash and investments | <u><u>\$ 710,976</u></u> |

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

B. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|------------------|-------------|--------------------|
| Governmental activities | | | | |
| Capital assets being depreciated | | | | |
| Buildings and improvements | \$ 1,091,846 | \$ 7,878 | \$ - | \$ 1,099,724 |
| Equipment | 142,724 | 28,896 | - | 171,620 |
| Vehicles | <u>594,005</u> | <u>52,900</u> | - | <u>646,905</u> |
| Total capital assets being depreciated | <u>1,828,575</u> | <u>89,674</u> | - | <u>1,918,249</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | (722,379) | (17,759) | - | (740,138) |
| Equipment | (77,586) | (5,970) | - | (83,556) |
| Vehicles | <u>(218,044)</u> | <u>(38,753)</u> | - | <u>(256,797)</u> |
| Total accumulated depreciation | <u>(1,018,009)</u> | <u>(62,482)</u> | - | <u>(1,080,491)</u> |
| Governmental activities capital assets, net | <u>\$ 810,566</u> | <u>\$ 27,192</u> | <u>\$ -</u> | <u>\$ 837,758</u> |

Capital assets are reported on the statement of net position as follows:

| | Capital Assets | Accumulated Depreciation | Net Capital Assets |
|-----------------------------------|---------------------|-----------------------------|-----------------------|
| Governmental activities | | | |
| Buildings and improvements | \$ 1,099,724 | \$ (740,138) | \$ 359,586 |
| Equipment | 171,620 | (83,556) | 88,064 |
| Vehicles | <u>646,905</u> | <u>(256,797)</u> | <u>390,108</u> |
| Total governmental capital assets | <u>\$ 1,918,249</u> | <u>\$ (1,080,491)</u> | <u>\$ 837,758</u> |

Depreciation was not charged to specific functions or programs of the District. Capital assets of the District are for the use of the entire District and are therefore unallocated. Depreciation expense is recorded on the statement of activities as follows:

| | |
|----------------------------------|------------------|
| Unallocated depreciation expense | <u>\$ 62,482</u> |
|----------------------------------|------------------|

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

C. Interfund Transfers

Operating transfers are reflected as other financing sources (uses) in the governmental funds. Interfund transfers during the year consisted of:

| | Transfers in: | | |
|----------------|--------------------------|-----------------------------|-----------|
| | Federal Lunch Fund | Capital Projects Fund | Total |
| Transfers out: | | | |
| General Fund | \$ 19,405 | \$ 2,500 | \$ 21,905 |

The primary purpose of the interfund transfers in was to provide funds for food services and future capital outlay purchases.

D. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

| | Interest Rate | Original Amount | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------------|------------------|--------------------|----------------------|-----------|------------|-------------------|------------------------|
| Governmental activities | | | | | | | |
| 2015 Bus Lease | 2.40% | \$ 123,600 | \$ 41,997 | \$ - | \$ 20,751 | \$ 21,246 | \$ 21,246 |
| 2016 Bus Lease | 2.60% | 305,100 | 181,874 | - | 61,115 | 120,759 | 62,702 |
| Total governmental activities | | \$ 428,700 | \$ 223,871 | \$ - | \$ 81,866 | \$ 142,005 | \$ 83,948 |

2. 2015 Bus Capital Lease

The 2015 bus capital lease was issued on October 10, 2014 in the amount of \$123,600. Interest rates are fixed as 2.40%. The District used the proceeds to finance the purchase of two buses. The General Fund has traditionally been used to liquidate the related debt.

3. 2016 Bus Capital Lease

The 2016 bus capital lease was issued on September 21, 2016 in the amount of \$305,100. Interest rates are fixed as 2.6%. The District used the proceeds to finance the purchase of three buses. The General Fund has traditionally been used to liquidate the related debt.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

4. Future Maturities of Long-Term Liabilities

| Year Ending June 30 | 2015 Bus Lease | | | 2016 Blue Birds | | |
|------------------------|------------------|-----------------|------------------|-------------------|-----------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2019 | \$ 21,246 | \$ 5,112 | \$ 26,358 | \$ 62,702 | \$ 3,219 | \$ 65,921 |
| 2020 | - | - | - | 58,057 | 1,632 | 59,689 |
| | <u>\$ 21,246</u> | <u>\$ 5,112</u> | <u>\$ 26,358</u> | <u>\$ 120,759</u> | <u>\$ 4,851</u> | <u>\$ 125,610</u> |

Interest expense for the year ended June 30, 2018 was \$4,227.

E. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

| | General Fund | Special Revenue Fund | Federal Lunch Program Fund | Student Body Fund | Capital Projects Fund | Total Governmental Funds |
|---------------------|-------------------|----------------------------|-------------------------------------|-------------------------|-----------------------------|--------------------------------|
| Fund balances | | | | | | |
| Restricted for: | | | | | | |
| Special projects | \$ - | \$ 3,041 | \$ - | \$ - | \$ - | \$ 3,041 |
| Food service | - | - | - | - | - | - |
| Student activities | - | - | - | 26,030 | - | 26,030 |
| Memorials | - | - | - | 13,149 | - | 13,149 |
| Assigned to: | | | | | | |
| Bus replacement | 11,310 | - | - | - | - | 11,310 |
| Capital projects | - | - | - | - | 52,412 | 52,412 |
| Unassigned | <u>505,892</u> | <u>-</u> | <u>(5,026)</u> | <u>-</u> | <u>-</u> | <u>500,866</u> |
| Total fund balances | <u>\$ 517,202</u> | <u>\$ 3,041</u> | <u>\$ (5,026)</u> | <u>\$ 39,179</u> | <u>\$ 52,412</u> | <u>\$ 606,808</u> |

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

Name of Pension Plan

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

Description of Benefit Terms

Plan Benefits – PERS Pension (Chapter 238)

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

PERS Pension

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

Pension Benefits

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

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest).

In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided 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

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Disability Benefits

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

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value 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, in accordance with *Moro* decision.

OPSRP Pension Program (OPSRP DB)

Pension Benefits

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

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: police and fire - 1.8 percent is multiplied by the number of years of service and the final average salary.

Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision.

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, 2015 actuarial valuation, which became effective July 1, 2017. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2018 were \$367,844.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: <https://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>.

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

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (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 actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

| | |
|-----------------------------------|--|
| Valuation Date | December 31, 2015 |
| Measurement Date | June 30, 2017 |
| Experience Study | 2014, published September 2015 |
| <i>Actuarial Assumptions:</i> | |
| Actuarial Cost Method | Entry age normal |
| Inflation Rate | 2.50 percent |
| Long-term Expected Rate of Return | 7.50 percent |
| Discount Rate | 7.50 percent |
| Projected Salary Increases | 3.50 percent |
| Cost of living adjustment (COLA) | Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service. |
| Mortality | Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the |

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

| | |
|--|---|
| | valuation. Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex distinct, generational per scale BB, disabled mortality table. |
|--|---|

Actuarial valuations of an ongoing plan involve estimates of 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. The methods and assumptions shown above are on the 2014 Experience Study, which reviewed experience for the four-year period ended December 31, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.50. The projection of cash flows used to determine the discount rate 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.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption.

These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

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

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Assumed Asset Allocation

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

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

At June 30, 2018, the District reported a liability of \$2,030,385 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017 the District's proportion was 0.01506216%.

For the year ended June 30, 2018, the District recognized pension expense of \$408,252.

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 98,190 | \$ - |
| Changes of assumptions | 370,103 | - |
| Net difference between projected and actual earnings on investments | 20,918 | - |
| Changes in proportionate share | - | 153,666 |
| Differences between employer contributions and employer's proportionate share of system contributions | 86,399 | 12,177 |
| Total (prior to post-MD contributions) | 575,610 | 165,843 |
| Contributions after measurement date | 258,302 | - |
| Total (subsequent to post-MD contributions) | \$ 833,912 | \$ 165,843 |

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

| Year ended June 30: | Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions) |
|---------------------|---|
| 2019 | \$ 66,932 |
| 2020 | 233,207 |
| 2021 | 152,850 |
| 2022 | (48,739) |
| 2023 | 5,517 |

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

District's proportionate share of the net pension liability (asset):

| 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|------------------------|--------------------------|------------------------|
| \$ 3,460,147 | \$ 2,030,385 | \$ 834,839 |

Changes in Assumptions

The Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.20% assumed rate. The rule specifies that the adopted assumed rate will be effective for PERS transactions with an effective date of January 1, 2018, consistent with this Board's policy decision from 2013 that the assumed rate will be effective January 1 following the Board's adoption of the rate. A January 1 effective date also provides equitable treatment to all members who retires in a year that a change is adopted, no matter which month they retire. The adopted assumed rate will be aligned with the new actuarial equivalency factors (AEFs), which will allow for a clear effective date for all transactions that involve calculations using both the rate and AEF components.

2. Deferred Compensation Plan

The District has authorized a deferred compensation plan to be made available to its employees wherein they may execute an individual agreement with the District for amounts earned by them not to be paid until a future date when they are terminated by reason of death, permanent disability, retirement, or separation. The deferred compensation plan is authorized under IRC Section 457 and has been approved by the Internal Revenue Service. Under the plan document, the District has a fiduciary responsibility to administer the plan in accordance with the requirements of IRC Section 457. The District has no liability for any losses that may be incurred under the plan.

C. Concentrations of Funding Sources

The District received a significant portion of its revenue from the state school fund. For the year ended June 30, 2018, the District received approximately 72% of its total revenue from the state school fund and less than 8% from operating grants and contributions.

D. Commitments and Contingencies

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

ALSEA SCHOOL DISTRICT
Benton County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

E. New Pronouncements

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

GASB Statement No. 85, *Omnibus 2017* - This statement addresses practice issues identified during implementation of other GASB Statements, including blending component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* - This statement addresses the accounting and financial reporting for in-substance defeasance of debt where existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt.

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

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

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements* - This statement addresses the information that is disclosed in the notes to government financial statements related to debt, including borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for fiscal years beginning after June 15, 2018.

F. Subsequent Events

1. Purchase Commitments

The District purchased real property on October 5, 2018 in the amount of \$115,000 which was financed with a loan.

Management has evaluated subsequent events through December 31, 2018, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

ALSEA SCHOOL DISTRICT
Benton County, Oregon

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND DISTRICT CONTRIBUTIONS

OREGON PERS SYSTEM

Schedule of the District's Proportionate Share of the Net Pension Liability

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability (asset) | 0.01506216% | 0.01528724% | 0.01860108% | 0.018762360% |
| District's proportionate share of the net pension liability (asset) | \$ 2,030,385 | \$ 2,294,970 | \$ 1,067,974 | \$ (425,289) |
| District's covered-employee payroll | \$ 1,011,533 | \$ 895,464 | \$ 913,994 | \$ 893,771 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 201% | 256% | 117% | -48% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.12% | 80.53% | 91.88% | 103.59% |

Schedule of District Contributions

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 367,844 | \$ 289,838 | \$ 203,154 | \$ 192,355 |
| Contributions in relation to the contractually required contribution | <u>(367,844)</u> | <u>(289,838)</u> | <u>(203,154)</u> | <u>(192,355)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 1,805,222 | \$ 1,194,310 | \$ 1,057,538 | \$ 966,773 |
| Contributions as a percentage of covered-employee payroll | 20% | 24% | 19% | 20% |

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

ALSEA SCHOOL DISTRICT
Benton County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2018

| | Original Budget | Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|--------------------|------------------|---|-------------------|------------------|-------------------|
| | | | | Budget Basis | Adjustments | |
| REVENUES | | | | | | |
| Local revenue | \$ 437,380 | \$ 472,650 | \$ 33,402 | \$ 506,052 | \$ - | \$ 506,052 |
| Intermediate revenue | 2,000 | 2,000 | 1,229 | 3,229 | - | 3,229 |
| State revenue | <u>1,997,627</u> | <u>2,224,044</u> | <u>(38,328)</u> | <u>2,185,716</u> | <u>-</u> | <u>2,185,716</u> |
| Total revenues | <u>2,437,007</u> | <u>2,698,694</u> | <u>(3,697)</u> | <u>2,694,997</u> | <u>-</u> | <u>2,694,997</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Instruction | 1,442,324 | 1,807,913 | (266,914) | 1,540,999 | - | 1,540,999 |
| Support services | 1,248,233 | 1,322,181 | (92,259) | 1,229,922 | (18,400) | 1,211,522 |
| Debt service | 89,450 | 89,450 | (3,357) | 86,093 | - | 86,093 |
| Capital outlay | - | - | - | - | 52,900 | 52,900 |
| Contingency | <u>100,000</u> | <u>144,541</u> | <u>(144,541)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>2,880,007</u> | <u>3,364,085</u> | <u>(507,071)</u> | <u>2,857,014</u> | <u>34,500</u> | <u>2,891,514</u> |
| Excess (deficiency) of revenues over (under) expenditures | (443,000) | (665,391) | 503,374 | (162,017) | (34,500) | (196,517) |
| OTHER FINANCING | | | | | | |
| SOURCES (USES) | | | | | | |
| Sale of assets | 500 | 500 | (500) | - | - | - |
| Transfers out | <u>(27,500)</u> | <u>(27,500)</u> | <u>595</u> | <u>(26,905)</u> | <u>5,000</u> | <u>(21,905)</u> |
| Total other financing sources (uses) | <u>(27,000)</u> | <u>(27,000)</u> | <u>95</u> | <u>(26,905)</u> | <u>5,000</u> | <u>(21,905)</u> |
| Net change in fund balance | (470,000) | (692,391) | 503,469 | (188,922) | (29,500) | (218,422) |
| Fund balance - beginning | <u>470,000</u> | <u>692,391</u> | <u>2,423</u> | <u>694,814</u> | <u>40,810</u> | <u>735,624</u> |
| Fund balance - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 505,892</u> | <u>\$ 505,892</u> | <u>\$ 11,310</u> | <u>\$ 517,202</u> |

ALSEA SCHOOL DISTRICT
Benton County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2018

| | Original Budget | Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|--------------------|-----------------|---|-----------------|-------------|-----------------|
| | | | | Budget Basis | Adjustments | |
| REVENUES | | | | | | |
| Intermediate revenue | \$ 8,900 | \$ 8,900 | \$ (5,819) | \$ 3,081 | \$ - | \$ 3,081 |
| State revenue | 27,285 | 66,513 | (5,000) | 61,513 | - | 61,513 |
| Federal revenue | 110,773 | 110,773 | (4,641) | 106,132 | - | 106,132 |
| Total revenues | <u>146,958</u> | <u>186,186</u> | <u>(15,460)</u> | <u>170,726</u> | <u>-</u> | <u>170,726</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Instruction | 126,682 | 170,910 | (3,429) | 167,481 | - | 167,481 |
| Support services | <u>20,276</u> | <u>15,276</u> | <u>(12,127)</u> | <u>3,149</u> | <u>-</u> | <u>3,149</u> |
| Total expenditures | <u>146,958</u> | <u>186,186</u> | <u>(15,556)</u> | <u>170,630</u> | <u>-</u> | <u>170,630</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 96 | 96 | - | 96 |
| Fund balance - beginning | <u>-</u> | <u>-</u> | <u>2,945</u> | <u>2,945</u> | <u>-</u> | <u>2,945</u> |
| Fund balance - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,041</u> | <u>\$ 3,041</u> | <u>\$ -</u> | <u>\$ 3,041</u> |

ALSEA SCHOOL DISTRICT
Benton County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

FEDERAL LUNCH PROGRAM FUND

For the Year Ended June 30, 2018

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | |
|--|---------------------------------|---|-------------------|-------------|-------------------|
| | | | Budget Basis | Adjustments | GAAP Basis |
| REVENUES | | | | | |
| Local revenue | \$ 6,500 | \$ 1,176 | \$ 7,676 | \$ - | \$ 7,676 |
| State revenue | 1,150 | 157 | 1,307 | - | 1,307 |
| Federal revenue | <u>59,000</u> | <u>(2,252)</u> | <u>56,748</u> | <u>-</u> | <u>56,748</u> |
| Total revenues | <u>66,650</u> | <u>(919)</u> | <u>65,731</u> | <u>-</u> | <u>65,731</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Food service | <u>91,650</u> | <u>2,491</u> | <u>94,141</u> | <u>-</u> | <u>94,141</u> |
| Excess (deficiency) of revenues over (under) expenditures | (25,000) | (3,410) | (28,410) | - | (28,410) |
| OTHER FINANCING | | | | | |
| SOURCES (USES) | | | | | |
| Transfers in | <u>20,000</u> | <u>(595)</u> | <u>19,405</u> | <u>-</u> | <u>19,405</u> |
| Net change in fund balance | (5,000) | (4,005) | (9,005) | - | (9,005) |
| Fund balance - beginning | <u>5,000</u> | <u>(1,021)</u> | <u>3,979</u> | <u>-</u> | <u>3,979</u> |
| Fund balance (deficit) - ending | <u>\$ -</u> | <u>\$ (5,026)</u> | <u>\$ (5,026)</u> | <u>\$ -</u> | <u>\$ (5,026)</u> |

ALSEA SCHOOL DISTRICT
Benton County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

STUDENT BODY FUND

For the Year Ended June 30, 2018

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | |
|----------------------------|---------------------------------|---|-----------------|-------------|---------------|
| | | | Budget Basis | Adjustments | GAAP Basis |
| REVENUES | | | | | |
| Local revenue | \$ 98,750 | \$ (53,351) | \$ 45,399 | \$ - | \$ 45,399 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | 133,750 | (83,083) | 50,667 | - | 50,667 |
| Net change in fund balance | (35,000) | 29,732 | (5,268) | - | (5,268) |
| Fund balance - beginning | 35,000 | 9,447 | 44,447 | - | 44,447 |
| Fund balance - ending | \$ - | \$ 39,179 | \$ 39,179 | \$ - | \$ 39,179 |

ALSEA SCHOOL DISTRICT
Benton County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

BUS REPLACEMENT FUND

For the Year Ended June 30, 2018

| | Original Budget | Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|--------------------|-----------------|---|------------------|--------------------|---------------|
| | | | | Budget Basis | Adjustments | |
| REVENUES | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Support services | 10,000 | 34,500 | - | 34,500 | (34,500) | - |
| Debt service | <u>35,810</u> | <u>11,310</u> | <u>(11,310)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>45,810</u> | <u>45,810</u> | <u>(11,310)</u> | <u>34,500</u> | <u>(34,500)</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | (45,810) | (45,810) | 11,310 | (34,500) | 34,500 | - |
| OTHER FINANCING | | | | | | |
| SOURCES (USES) | | | | | | |
| Transfers in | <u>5,000</u> | <u>5,000</u> | <u>-</u> | <u>5,000</u> | <u>(5,000)</u> | <u>-</u> |
| Net change in fund balance | (40,810) | (40,810) | (11,310) | (29,500) | 29,500 | - |
| Fund balance - beginning | <u>40,810</u> | <u>40,810</u> | <u>-</u> | <u>40,810</u> | <u>(40,810)</u> | <u>-</u> |
| Fund balance - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (11,310)</u> | <u>\$ 11,310</u> | <u>\$ (11,310)</u> | <u>\$ -</u> |

ALSEA SCHOOL DISTRICT
Benton County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2018

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|---------------------------------|---|------------------|-------------|------------------|
| | | | Budget Basis | Adjustments | |
| REVENUES | \$ - | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | | |
| Capital outlay | <u>78,507</u> | <u>(52,412)</u> | <u>26,095</u> | <u>-</u> | <u>26,095</u> |
| Excess (deficiency) of revenues over (under) expenditures | (78,507) | 52,412 | (26,095) | - | (26,095) |
| OTHER FINANCING | | | | | |
| SOURCES (USES) | | | | | |
| Transfers in | <u>2,500</u> | <u>-</u> | <u>2,500</u> | <u>-</u> | <u>2,500</u> |
| Net change in fund balance | (76,007) | 52,412 | (23,595) | - | (23,595) |
| Fund balance - beginning | <u>76,007</u> | <u>-</u> | <u>76,007</u> | <u>-</u> | <u>76,007</u> |
| Fund balance - ending | <u>\$ -</u> | <u>\$ 52,412</u> | <u>\$ 52,412</u> | <u>\$ -</u> | <u>\$ 52,412</u> |

OTHER FINANCIAL SCHEDULES

ALSEA SCHOOL DISTRICT 7J
Benton County, Oregon

REVENUE SUMMARY - ALL FUNDS

June 30, 2018

Revenue from Local Sources

| | Fund 100 | Fund 200 | Fund 400 |
|--|----------------------|---------------------|-------------|
| 1110 Ad Valorem Taxes Levied by District | \$ 390,141.45 | \$ - | \$ - |
| 1190 Penalties and Interest on Taxes | \$ 1,059.61 | | |
| 1412 Transportation Fees From Other Districts | - | - | - |
| 1500 Earnings on Investments | 17,740.30 | 8.66 | - |
| 1600 Food Service | - | 7,675.60 | - |
| 1700 Extracurricular Activities | 160.00 | 44,556.54 | - |
| 1920 Contributions and Donations From Private Sources | 3,205.02 | 500.00 | - |
| 1940 Services Provided to Other Local Education Agencies | 20,153.93 | - | - |
| 1960 Recovery of Prior Years' Expenditures | 7,978.93 | - | - |
| 1990 Miscellaneous | 65,608.99 | 333.00 | - |
| Total Revenue from Local Sources | \$ 506,048.23 | \$ 53,073.80 | \$ - |

Revenue from Intermediate Sources

| | Fund 100 | Fund 200 | Fund 400 |
|--|--------------------|--------------------|-------------|
| 2101 County School Funds | \$ 3,229.34 | \$ - | \$ - |
| 2102 General Education Service District Funds | - | 3,081.27 | - |
| Total Revenue from Intermediate Sources | \$ 3,229.34 | \$ 3,081.27 | \$ - |

Revenue from State Sources

| | Fund 100 | Fund 200 | Fund 400 |
|--|------------------------|---------------------|-------------|
| 3101 State School Fund - General Support | \$ 2,141,437.72 | \$ - | \$ - |
| 3103 Common School Fund | 20,828.18 | - | - |
| 3199 Unrestricted Grants-in-aid | 4,982.18 | 13,270.40 | - |
| 3203 Special Education | 18,468.64 | - | - |
| 3299 Other Restricted Grants-in-aid | - | 49,549.22 | - |
| Total Revenue from State Sources | \$ 2,185,716.72 | \$ 62,819.62 | \$ - |

Revenue from Federal Sources

| | Fund 100 | Fund 200 | Fund 400 |
|---|-------------|----------------------|-------------|
| 4100 Unrestricted Revenue From the Federal Government | \$ - | \$ 25,478.57 | \$ - |
| 4500 Restricted Revenue From the Federal Government Through the State | - | 135,064.76 | - |
| 4900 Revenue for/on Behalf of the District | - | 2,336.00 | - |
| Total Revenue from Federal Sources | \$ - | \$ 162,879.33 | \$ - |

Revenue from Other Sources

| | Fund 100 | Fund 200 | Fund 400 |
|---|----------------------|----------------------|---------------------|
| 5100 Long-term debt proceeds | \$ - | \$ - | \$ - |
| 5200 Interfund Transfers | - | 24,405.24 | 2,500.00 |
| 5300 Sale of Fixed Assets | - | - | - |
| 5400 Resources - Beginning Fund Balance | 692,391.32 | 92,179.70 | 76,007.30 |
| Total Revenue from Other Sources | \$ 692,391.32 | \$ 116,584.94 | \$ 78,507.30 |

Grand Totals

| | | |
|------------------------|----------------------|---------------------|
| \$ 3,387,385.61 | \$ 398,438.96 | \$ 78,507.30 |
|------------------------|----------------------|---------------------|

ALSEA SCHOOL DISTRICT 7J
Benton County, Oregon

EXPENDITURE SUMMARY - GENERAL FUND

June 30, 2018

| Instruction Expenditures | Totals | Object 100 | Object 200 |
|---|------------------------|----------------------|----------------------|
| 1111 Elementary, K-5 or K-6 | \$ 549,956.16 | \$ 325,725.91 | \$ 194,913.81 |
| 1121 Middle/Junior High School Programs | 203,093.92 | 121,754.94 | 75,437.82 |
| 1122 Middle/Junior High School Extracurricular | 21,339.80 | 12,169.66 | 3,178.69 |
| 1131 High School Programs | 407,288.90 | 234,056.41 | 142,644.88 |
| 1132 High School Extracurricular | 93,825.81 | 45,788.13 | 21,091.11 |
| 1140 Pre-kindergarten Programs | 16,574.60 | 9,906.55 | 3,506.05 |
| 1250 Less Restrictive Programs for Students with Disabilities | 226,496.01 | 125,295.15 | 67,791.98 |
| 1280 Alternative Education | 22,425.15 | 11,540.06 | 9,336.04 |
| Total Instruction Expenditures | \$ 1,541,000.35 | \$ 886,236.81 | \$ 517,900.38 |

| Support Services Expenditures | Totals | Object 100 | Object 200 |
|--|------------------------|----------------------|----------------------|
| 2190 Service Direction, Student Support Services | \$ 6,457.95 | \$ 5,850.00 | \$ 607.95 |
| 2220 Educational Media Services | 6,433.51 | 3,322.24 | 2,250.17 |
| 2240 Instructional Staff Development | 3,073.30 | - | 1,305.00 |
| 2310 Board of Education Services | 18,899.09 | - | 3,144.01 |
| 2320 Executive Administration Services | 74,736.14 | 45,727.50 | 23,627.31 |
| 2410 Office of the Principal Services | 172,457.65 | 113,258.99 | 49,152.56 |
| 2520 Fiscal Services | 109,206.56 | 50,634.00 | 25,432.89 |
| 2540 Operation and Maintenance of Plant Services | 333,773.82 | 86,115.64 | 43,442.13 |
| 2550 Student Transportation Services | 435,477.29 | 197,574.55 | 102,870.29 |
| 2570 Internal Services | 5,916.44 | 5,355.54 | 553.91 |
| 2660 Technology Services | 63,486.21 | - | - |
| Total Support Services Expenditures | \$ 1,229,917.96 | \$ 507,838.46 | \$ 252,386.22 |

| Other Uses Expenditures | Totals | Object 100 | Object 200 |
|--------------------------------------|----------------------|-------------------|-------------------|
| 5100 Debt Service | \$ 86,093.00 | \$ - | \$ - |
| 5200 Transfers of Funds | 26,905.24 | - | - |
| Total Other Uses Expenditures | \$ 112,998.24 | \$ - | \$ - |

| | | | |
|--------------------|------------------------|------------------------|----------------------|
| Grand Total | \$ 2,883,916.55 | \$ 1,394,075.27 | \$ 770,286.60 |
|--------------------|------------------------|------------------------|----------------------|

| Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---------------------|---------------------|-------------|--------------------|-------------|
| \$ 6,422.21 | \$ 20,451.23 | \$ - | \$ 2,443.00 | \$ - |
| 4,160.55 | 1,740.61 | - | - | - |
| 4,552.00 | 1,287.45 | - | 152.00 | - |
| 1,057.37 | 29,355.24 | - | 175.00 | - |
| 18,714.52 | 5,307.05 | - | 2,925.00 | - |
| 3,162.00 | - | - | - | - |
| 33,010.20 | 398.68 | - | - | - |
| 1,207.50 | 341.55 | - | - | - |
| \$ 72,286.35 | \$ 58,881.81 | \$ - | \$ 5,695.00 | \$ - |

| Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|----------------------|---------------------|---------------------|---------------------|-------------|
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | 861.10 | - | - | - |
| 335.73 | - | - | 1,432.57 | - |
| 10,075.36 | 1,267.24 | - | 4,412.48 | - |
| 2,403.03 | 1,551.00 | - | 1,427.30 | - |
| 3,325.33 | 3,956.27 | - | 2,764.50 | - |
| 30,866.35 | 983.32 | - | 1,290.00 | - |
| 119,603.62 | 55,755.31 | - | 28,857.12 | - |
| 98,188.30 | 7,127.65 | 18,400.00 | 11,316.50 | - |
| - | 6.99 | - | - | - |
| 39,389.04 | 20,117.98 | - | 3,979.19 | - |
| \$ 304,186.76 | \$ 91,626.86 | \$ 18,400.00 | \$ 55,479.66 | \$ - |

| Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|----------------------|----------------------|---------------------|----------------------|---------------------|
| \$ - | \$ - | \$ - | \$ 86,093.00 | \$ - |
| - | - | - | - | 26,905.24 |
| \$ - | \$ - | \$ - | \$ 86,093.00 | \$ 26,905.24 |
| \$ 376,473.11 | \$ 150,508.67 | \$ 18,400.00 | \$ 147,267.66 | \$ 26,905.24 |

EXPENDITURE SUMMARY - SPECIAL REVENUE FUNDS

June 30, 2018

| Instruction Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| 1113 Elementary Extracurricular | \$ 4,292.49 | \$ - | \$ - | \$ - | \$ 4,292.49 | \$ - | \$ - |
| 1131 High School Programs | 43,403.28 | 24,417.72 | 13,398.71 | - | 5,586.85 | - | - |
| 1132 High School Extracurricular | 46,374.55 | - | - | 28,766.52 | 17,458.03 | - | 150.00 |
| 1140 Pre-kindergarten Programs | 12,425.39 | 2,191.06 | 748.33 | 9,486.00 | - | - | - |
| 1250 Less Restrictive Programs for Students | 27,742.31 | 16,354.57 | 7,907.70 | 662.35 | 2,598.69 | - | 219.00 |
| 1272 Title I | 78,333.58 | 45,780.17 | 32,160.98 | - | 200.00 | - | 192.43 |
| 1280 Alternative Education | 5,572.34 | 3,322.24 | 2,250.10 | - | - | - | - |
| Total Instruction Expenditures | \$ 218,143.94 | \$ 92,065.76 | \$ 56,465.82 | \$ 38,914.87 | \$ 30,136.06 | | \$ 561.43 |
| Support Services | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 |
| 2130 Health Services | \$ 3,149.27 | \$ - | \$ - | \$ 3,149.27 | \$ - | \$ - | \$ - |
| 2550 Student Transportation | 34,500.00 | - | - | - | - | 34,500.00 | - |
| Total Support Services Expenditures | \$ 37,649.27 | \$ - | \$ - | \$ 3,149.27 | \$ - | \$ 34,500.00 | \$ - |
| Enterprise and Community | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 |
| 3100 Food Services | \$ 94,142.88 | \$ 21,816.07 | \$ 9,694.71 | \$ 614.00 | \$ 62,018.10 | \$ - | \$ - |
| Total Enterprise and Community Services Expenditures | \$ 94,142.88 | \$ 21,816.07 | \$ 9,694.71 | \$ 614.00 | \$ 62,018.10 | \$ - | \$ - |
| Grand Total | \$ 349,936.09 | \$ 113,881.83 | \$ 66,160.53 | \$ 42,678.14 | \$ 92,154.16 | \$ 34,500.00 | \$ 561.43 |

ALSEA SCHOOL DISTRICT 7J
Benton County, Oregon

EXPENDITURE SUMMARY - CAPITAL PROJECTS FUND

June 30, 2018

Facilities Acquisition and Construction

4150 Building Acquisition, Construction and Improvement Services

Total Facilities Acquisition and Construction

Grand Total

| Totals | Object 500 |
|--------------|--------------|
| \$ 26,095.37 | \$ 26,095.37 |
| \$ 26,095.37 | \$ 26,095.37 |
| \$ 26,095.37 | \$ 26,095.37 |

ALSEA SCHOOL DISTRICT 7J
Benton County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

| Federal Grantor, Pass through Grantor, Program Title | CFDA | Expenditures |
|---|--------|--------------------------|
| <u>U.S. Department of Education</u> | | |
| Rural Education | 84.358 | \$ <u>25,479</u> |
| Passed through Oregon State Department of Education | | |
| Title 1, Part A Cluster | | |
| Title 1 Grants to Local Educational Agencies | 84.010 | 40,008 |
| Special Education (IDEA) Cluster | | |
| IDEA Special Education Grants to States | 84.027 | 27,798 |
| Title IIA Improving Teaching Quality State Grants | 84.367 | <u>12,847</u> |
| Total passed through Oregon State Department of Education | | <u>80,653</u> |
| Total U.S. Department of Education | | <u>106,132</u> |
| <u>U.S. Department of Agriculture</u> | | |
| Passed through Oregon State Department of Education | | |
| Child Nutrition Cluster | | |
| School Breakfast Program | 10.553 | 22,345 |
| National School Lunch Program | 10.555 | 32,067 |
| National School Lunch Program - Commodities | 10.555 | <u>2,336</u> |
| Total Child Nutrition Cluster | | <u>56,748</u> |
| Total federal expenditures | | <u>\$ <u>162,880</u></u> |

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY
STATE REGULATIONS**



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Alsea School District
Alsea, Oregon 97324

We have audited the basic financial statements of Alsea School District as of and for the year ended June 30, 2018, and have issued our report thereon dated December 31, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Alsea School 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 162-010-0000 through 162-010-0320 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.

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:

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

Public charter school requirements

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, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

1. Noncompliance with Public Contracts and Purchasing

The District was in violation of Oregon Revised Statutes related to public contracts and purchasing.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alsea School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alsea School District's internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated December 31, 2018.

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


Accuity, LLC
December 31, 2018