

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**ANNUAL FINANCIAL REPORT**

June 30, 2019



**Accuity, LLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

436 1<sup>st</sup> Avenue W | PO Box 1072  
Albany, Oregon 97321 | (541) 223-5555

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**DISTRICT OFFICIALS**

June 30, 2019

**BOARD MEMBERS**

Aaron Schneider, Chair  
P.O. Box 113  
Alsea, Oregon 97324

Ron Koetz, Vice Chair  
PO Box 155  
Alsea, OR 97324

Jeff Davis  
PO Box 131  
Alsea, Oregon 97324

Debra Lindberg  
PO Box 68  
Alsea, OR 97324

Linda Montanez  
15743 Lobster Valley Road  
Alsea, OR 97324

**ADMINISTRATION**

Marc Thielman  
Superintendent

Katie Sapp  
Business Manager

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**TABLE OF CONTENTS**

June 30, 2019

Page  
Number

**INTRODUCTORY SECTION**

Title Page  
District Officials  
Table of Contents

**FINANCIAL SECTION**

Independent Auditor's Report .....	1-3
Management's Discussion and Analysis .....	4-10
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position .....	11
Statement of Activities .....	12
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Notes to Basic Financial Statements .....	17-45
Required Supplementary Information	
Schedule of the District's Proportionate Share of the Net Pension Liability - PERS .....	46
Schedule of District Contributions.....	46
Schedule of the District's Proportionate Share of the Net Pension Liability – OPEB RHIA	47
Schedule of District Contributions.....	47
Other Supplementary Information – Individual Fund Schedules	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
General Fund.....	48
Special Funds .....	49
Federal Lunch Program Fund.....	50
Student Body Fund .....	51
Bus Replacement Fund .....	52
Capital Projects Fund.....	53

	<u>Page Number</u>
<b>OTHER FINANCIAL SCHEDULES</b>	
Revenue Summary – All Funds .....	54
Expenditure Summary –	
General Fund.....	55
Special Revenue Funds .....	56
Capital Projects Fund .....	57
Schedule of Expenditures of Federal Awards.....	58
<b>AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS</b>	
Independent Auditor’s Report Required by Oregon State Regulations .....	59-60
Supplemental Information Required by Oregon Department of Education.....	61

**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, 2019, 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, 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, each major fund, and the aggregate remaining fund information of Alsea School District, Benton County, Oregon as of June 30, 2019, 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, 2019, the District adopted new accounting guidance: GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements*. 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/asset – PERS and OPEB RHIA and District contributions on pages 4 through 10 and 46 through 47, 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 23, 2019, 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 23, 2019



## **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, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- At June 30, 2019, total net position of Alsea School District amounted to \$256,789. Of this amount, \$737,008 was invested in capital assets. The remaining balance included \$37,825 restricted for student activities and memorials, and \$(518,044) of unrestricted net position.
- At June 30, 2019, the District's governmental funds reported combined ending fund balances of \$1,103,360.

#### **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 45 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/asset – PERS and OPEB RHIA and District contributions. This other information can be found on pages 46 through 47 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, 2019, the District's assets exceeded liabilities by \$256,789.

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 increased by \$287,305 during the current fiscal year. This increase is primarily due to an increase in state school fund revenues. Condensed statement of net position information is shown below.

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current and other assets	\$ 1,245,504	\$ 796,230
Restricted assets	53,437	8,894
Net capital assets	<u>1,212,489</u>	<u>837,758</u>
Total assets	<u>2,511,430</u>	<u>1,642,882</u>
<b>Deferred outflows of resources</b>	<u>1,264,441</u>	<u>833,912</u>
<b>Liabilities</b>		
Current liabilities	328,198	250,475
Noncurrent liabilities	<u>2,957,276</u>	<u>2,088,442</u>
Total liabilities	<u>3,285,474</u>	<u>2,338,917</u>
<b>Deferred inflows of resources</b>	<u>233,608</u>	<u>168,393</u>
<b>Net position</b>		
Net investment in capital assets	737,008	695,753
Restricted for:		
Special projects	-	3,041
Student activities	25,676	26,030
Memorials	12,149	13,149
Unrestricted	<u>(518,044)</u>	<u>(768,489)</u>
Total net position	<u>\$ 256,789</u>	<u>\$ (30,516)</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**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Program revenues</b>		
Regular programs	\$ 540	\$ 28,793
Special programs	190,761	72,120
Support services	2,730	-
Food services	125,449	114,707
Facilities acquisition and construction	37,911	26,692
Total program revenues	357,391	242,312
<b>General revenues</b>		
Property taxes	409,195	387,640
State school fund - general support	3,361,244	2,141,437
Common and county school fund	34,837	24,057
Unrestricted grants and contributions	20,840	50,941
Investment earnings	25,525	17,749
Miscellaneous	49,649	109,156
Sale of assets	2,100	-
Total general revenues	3,903,390	2,730,980
Total revenues	4,260,781	2,973,292
<b>Program expenses</b>		
Regular programs	1,532,162	1,458,910
Special programs	855,981	374,174
Student support services	3,081	9,606
Instructional staff support	5,807	10,007
General administrative support	101,976	98,565
School administrative support	236,583	181,536
Business support services	984,193	879,096
Central activities support	46,271	63,486
Food services	101,492	94,141
Facilities acquisition and construction	25,980	26,095
Debt service	3,093	4,227
Unallocated depreciation expense	76,857	62,482
Total program expenses	3,973,476	3,262,325
<b>Change in net position</b>	287,305	(289,033)
<b>Net position - beginning of year, as restated</b>	(30,516)	258,517
<b>Net position - end of year</b>	\$ 256,789	\$ (30,516)

**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 2% of total revenues and are composed of the following, for which it is appropriate that the District charge tuition or fees:

• Regular programs	\$ 420
• Special programs	93,887
• Food services	<u>3,945</u>
Total charges for services	<u>\$ 98,252</u>

Operating grants and contributions represent fewer than 6% of total revenues. Included in this category \$120 for regular programs, \$96,874 of federal and state reimbursements for special education programs, \$121,504 for grants and contributions to support various educational activities, and \$37,911 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 59% of the total expenses of \$3,973,476. In addition, approximately 34% 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 \$1,103,360. Of this amount, \$15,612 and \$37,825 was restricted for federal lunch program and student activities and memorials, respectively, \$16,310 was committed for bus replacement, and \$13,820 was committed for capital projects.

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The remaining balance of \$1,1019,793 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 \$1,056,103, of which \$1,039,793 was unassigned fund balance.

**BUDGETARY HIGHLIGHTS**

Budget amounts shown in the financial statements reflect the original budget amounts and one approved supplemental budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The District's investment in capital assets for its governmental activities as of June 30, 2019 amounted to \$1,212,489, 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 \$76,857. 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 \$475,481. This amount consists of five bus leases/loans. The District's total long-term debt increased by \$333,476 during the year due to issuance of four new loans and principal payments made. 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 the 2019-2020 school year is \$5,412,550 which represents a \$2,178,143 increase from the previous year's total of \$3,234,407. While district enrollment continues to grow moderately, the increase in revenue is primarily due to the addition of a dedicated online school. State School Fund revenues have remained moderately flat. This budget is a reflection of the current economic realities of the state of Oregon. The district will continue to manage the funds available in a conservative manner while at the same time realizing the changes that are required for educating the future students of Alsea.

The ending unassigned General Fund balance of \$1,039,793 will be available for program resources in the 2019-2020 fiscal year.

All of these factors were considered in preparing the District's budget for the 2019-2020 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, 2019

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,117,427
Grants receivable	105,440
Property taxes receivable	10,602
Total current assets	<u>1,233,469</u>
Restricted assets	
Cash and cash equivalents	53,437
Net OPEB RHIA asset	12,035
Capital assets not being depreciated	118,112
Capital assets being depreciated, net	<u>1,094,377</u>
Total assets	<u>2,511,430</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,264,441</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	41,103
Accrued liabilities	134,136
Compensated absences	11,245
Long-term liabilities, current portion	<u>141,714</u>
Total current liabilities	<u>328,198</u>
Noncurrent liabilities	
Net pension liability - PERS	2,623,509
Long-term liabilities, less current portion	<u>333,767</u>
Total noncurrent liabilities	<u>2,957,276</u>
Total liabilities	<u>3,285,474</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>233,608</u>
<b>NET POSITION</b>	
Net investment in capital assets	737,008
Restricted for:	
Student activities	25,676
Memorials	12,149
Unrestricted	<u>(518,044)</u>
Total net position	<u>\$ 256,789</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, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges for</u>	<u>Operating</u>	Revenue and
		<u>Services</u>	<u>Grants and</u>	Changes in
			<u>Contributions</u>	Net Position
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities				
Instruction				
Regular programs	\$ 1,532,162	\$ 420	\$ 120	\$ (1,531,622)
Special programs	855,981	93,887	96,874	(665,220)
Support services				
Student support services	3,081	-	-	(3,081)
Instructional staff support	5,807	-	2,730	(3,077)
General administrative support	101,976	-	-	(101,976)
School administrative support	236,583	-	-	(236,583)
Business support services	984,193	-	-	(984,193)
Central activities support	46,271	-	-	(46,271)
Food services	101,492	3,945	121,504	23,957
Facilities acquisition				
and construction	25,980	-	37,911	11,931
Interest on long-term debt	3,093	-	-	(3,093)
Unallocated depreciation expense	76,857	-	-	(76,857)
Total governmental activities	<u>\$ 3,973,476</u>	<u>\$ 98,252</u>	<u>\$ 259,139</u>	<u>(3,616,085)</u>
General revenues				
Property taxes				409,195
State school fund - general support				3,361,244
Common school fund				27,565
County school fund				7,272
Unrestricted grants and contributions				20,840
Investment earnings				25,525
Miscellaneous				49,649
Sale of assets				<u>2,100</u>
Total general revenues				<u>3,903,390</u>
Change in net position				287,305
Net position - beginning, as restated				<u>(30,516)</u>
Net position - ending				<u>\$ 256,789</u>

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

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

June 30, 2019

	General Fund	Special Revenue Funds	Federal Lunch Program Fund	Student Body Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,183,626	\$ -	\$ 15,612	\$ 37,825	\$ 18,820	\$ 1,255,883
Grants receivable	23,123	78,516	3,801	-	-	105,440
Property taxes receivable	<u>10,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,602</u>
Total assets	<u>\$ 1,217,351</u>	<u>\$ 78,516</u>	<u>\$ 19,413</u>	<u>\$ 37,825</u>	<u>\$ 18,820</u>	<u>\$ 1,371,925</u>
<b>LIABILITIES</b>						
Bank overdraft	\$ -	\$ 85,019	\$ -	\$ -	\$ -	\$ 85,019
Accounts payable	18,805	13,497	3,801	-	5,000	41,103
Accrued liabilities	<u>134,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,136</u>
Total liabilities	<u>152,941</u>	<u>98,516</u>	<u>3,801</u>	<u>-</u>	<u>5,000</u>	<u>260,258</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	<u>8,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,307</u>
<b>FUND BALANCES (DEFICIT)</b>						
Restricted	-	-	15,612	37,825	-	53,437
Committed	16,310	-	-	-	13,820	30,130
Unassigned	<u>1,039,793</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,019,793</u>
Total fund balances (deficit)	<u>1,056,103</u>	<u>(20,000)</u>	<u>15,612</u>	<u>37,825</u>	<u>13,820</u>	<u>1,103,360</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,217,351</u>	<u>\$ 78,516</u>	<u>\$ 19,413</u>	<u>\$ 37,825</u>	<u>\$ 18,820</u>	<u>\$ 1,371,925</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, 2019

<b>Total fund balances</b>		\$ 1,103,360
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	2,292,781	
Accumulated depreciation	<u>(1,080,292)</u>	1,212,489
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.		
		8,307
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	1,264,441	
Deferred inflows of resources relating to the return on plan assets	(233,608)	
Net pension asset - OPEB RHIA	12,035	
Net pension liability - PERS	<u>(2,623,509)</u>	(1,580,641)
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:		
Compensated absences	(11,245)	
Leases payable	<u>(475,481)</u>	<u>(486,726)</u>
<b>Net position of governmental activities</b>		<u><u>\$ 256,789</u></u>

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, 2019

	General Fund	Special Revenue Funds	Federal Lunch Program Fund	Student Body Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>						
Local revenue	\$ 566,444	\$ -	\$ 3,945	\$ 28,899	\$ -	\$ 599,288
Intermediate revenue	7,272	6,492	-	-	-	13,764
State revenue	3,407,363	70,518	1,594	-	-	3,479,475
Federal revenue	-	112,769	66,594	-	-	179,363
Total revenues	<u>3,981,079</u>	<u>189,779</u>	<u>72,133</u>	<u>28,899</u>	<u>-</u>	<u>4,271,890</u>
<b>EXPENDITURES</b>						
Current						
Instruction	1,941,680	190,163	-	30,252	-	2,162,095
Support services	1,697,413	2,729	-	-	-	1,700,142
Food services	-	-	101,492	-	-	101,492
Debt service	86,093	-	-	-	-	86,093
Capital outlay	-	20,000	-	-	123,112	143,112
Total expenditures	<u>3,725,186</u>	<u>212,892</u>	<u>101,492</u>	<u>30,252</u>	<u>123,112</u>	<u>4,192,934</u>
Excess (deficiency) of revenues over (under) expenditures	255,893	(23,113)	(29,359)	(1,353)	(123,112)	78,956
<b>OTHER FINANCING</b>						
<b>SOURCE (USES)</b>						
Sale of assets	2,100	-	-	-	-	2,100
Loan proceeds	333,476	-	-	-	82,020	415,496
Transfers in	-	68	50,000	-	2,500	52,568
Transfers out	<u>(52,568)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,568)</u>
Total other financing sources (uses)	<u>283,008</u>	<u>68</u>	<u>50,000</u>	<u>-</u>	<u>84,520</u>	<u>417,596</u>
Net change in fund balances	538,901	(23,045)	20,641	(1,353)	(38,592)	496,552
Fund balances - beginning	<u>517,202</u>	<u>3,045</u>	<u>(5,029)</u>	<u>39,178</u>	<u>52,412</u>	<u>606,808</u>
Fund balances - ending	<u>\$ 1,056,103</u>	<u>\$ (20,000)</u>	<u>\$ 15,612</u>	<u>\$ 37,825</u>	<u>\$ 13,820</u>	<u>\$ 1,103,360</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, 2019

<b>Net change in fund balances</b>	\$ 496,552
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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	451,588	
Depreciation expense recorded in the current year	<u>(76,857)</u>	374,731

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:

Change in compensated absences	(11,245)	
Long-term debt proceeds	(416,476)	
Debt principle paid	<u>83,000</u>	(344,721)

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	(226,048)
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Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized as revenue when levied

<b>Change in net position</b>	<u>\$ 287,305</u>
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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, 2019

**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.

**Special Revenue Funds**

*Special Revenue Fund* – The Special Revenue Fund accounts for program revenues and expenditures related to grant programs. The primary sources of revenue are federal and state grants.

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

*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 grants 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.

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.

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

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 measureable 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 measureable 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 and one approved supplemental budget.

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**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, 2019

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.

**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).

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

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.

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.

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

- 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 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.

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**3. Compensated Absences**

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net position. In accordance with the provisions of GASB Statement No. 47, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**4. 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. Expenditure in Excess of Approved Appropriations**

The District expended funds in excess of appropriations as follows:

<u>Fund</u>	<u>Function</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Fund	Instruction	\$ 172,252	\$ 190,163	\$ 17,911

**3. Deficit Fund Balance**

The Special Revenue Funds had a deficit fund balance as of June 30, 2019. The District will remedy this with transfers in the upcoming year.



**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

**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 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, 2019.

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Fair values of assets measured on a recurring basis at June 30, 2019 shown on the next page are as follows:

	<u>Level 2</u>
Investments:	
Oregon Local Government Investment Pool	<u>\$ 1,112,917</u>

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. 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, 2019, the District had the following investments:

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 1,112,917</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

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

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 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, 2019, the District had deposits of \$93,157 fully insured by the FDIC.

Deposits

The District's deposits and investments at June 30, 2019 are as follows:

Checking accounts	\$ 57,947
Total investments	<u>1,112,917</u>
 Total deposits and investments	 <u><u>\$ 1,170,864</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 1,183,626
Special Revenue Funds (book overdraft)	(85,019)
Capital Projects Fund	<u>18,820</u>
 Total governmental activities - unrestricted	 <u>1,117,427</u>
 Governmental activities - restricted	
Federal Lunch Program Fund	15,612
Student Body Fund	<u>37,825</u>
 Total governmental activities - restricted	 <u>53,437</u>
 Total cash and investments	 <u><u>\$ 1,170,864</u></u>

Restricted cash is for future expenditures related to food service, student activities, and memorials.

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

**B. Deferred Inflows/Outflows of Resources**

Deferred inflows/outflows of resources are summarized on the statement of net position as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net pension liability - PERS	\$ 1,258,591	\$ (230,293)
Net pension asset - OPEB RHIA	5,850	(3,315)
Total	<u>\$ 1,264,441</u>	<u>\$ (233,608)</u>

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 118,112	\$ -	\$ 118,112
Capital assets being depreciated				
Buildings and improvements	1,099,724	-	-	1,099,724
Equipment	171,620	-	-	171,620
Vehicles	646,905	333,476	(77,056)	903,325
Total capital assets being depreciated	<u>1,918,249</u>	<u>333,476</u>	<u>(77,056)</u>	<u>2,174,669</u>
Less accumulated depreciation for				
Buildings and improvements	(740,138)	(18,157)	-	(758,295)
Equipment	(83,556)	(6,725)	-	(90,281)
Vehicles	(256,797)	(51,975)	77,056	(231,716)
Total accumulated depreciation	<u>(1,080,491)</u>	<u>(76,857)</u>	<u>77,056</u>	<u>(1,080,292)</u>
Total capital assets being depreciated, net	<u>837,758</u>	<u>256,619</u>	<u>-</u>	<u>1,094,377</u>
Governmental activities capital assets, net	<u>\$ 837,758</u>	<u>\$ 374,731</u>	<u>\$ -</u>	<u>\$ 1,212,489</u>

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Construction in progress	\$ 118,112	\$ -	\$ 118,112
Buildings and improvements	1,099,724	(758,295)	341,429
Equipment	171,620	(90,281)	81,339
Vehicles	<u>903,325</u>	<u>(231,716)</u>	<u>671,609</u>
Total governmental capital assets	<u>\$ 2,292,781</u>	<u>\$ (1,080,292)</u>	<u>\$ 1,212,489</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>\$ 76,857</u>
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**D. Compensated Absences**

The following is a summary of compensated absences transactions for the year:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	<u>\$ -</u>	<u>\$ 11,245</u>	<u>\$ -</u>	<u>\$ 11,245</u>

The General Fund has traditionally been used to liquidate compensated absences liabilities.

**E. Interfund Transfers**

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

	Transfers in:			
	Special Revenue Funds	Federal Lunch Fund	Capital Projects Fund	Total
Transfers out:				
General Fund	<u>\$ 68</u>	<u>\$ 50,000</u>	<u>\$ 2,500</u>	<u>\$ 52,568</u>

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

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

**F. 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	\$ 21,246	\$ -	\$ 21,246	\$ -	\$ -
2016 Bus Lease	2.60%	305,100	120,759	-	61,754	59,005	59,005
Citizens Bank Loan	6.49%	83,000	-	83,000	-	83,000	14,713
Santander - 2019 Bus Loan	3.80%	109,951	-	109,951	-	109,951	22,269
Santander - 2019 Bus Loan	3.80%	111,995	-	111,995	-	111,995	22,683
Santander - 2020 Bus Loan	3.80%	111,530	-	111,530	-	111,530	23,044
Total governmental activities		<u>\$ 845,176</u>	<u>\$ 142,005</u>	<u>\$ 416,476</u>	<u>\$ 83,000</u>	<u>\$ 475,481</u>	<u>\$ 141,714</u>

**2. 2015 Bus Capital Lease**

The 2015 bus capital lease was issued on October 10, 2014 in the amount of \$123,600. Interest rate is fixed as 2.40%. The District used the proceeds to finance the purchase of two buses, which are pledged as collateral. The General Fund has traditionally been used to liquidate the related debt, and this obligation was fully liquidated in the current year.

**3. 2016 Bus Capital Lease**

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

**4. Citizens Bank Loan**

The Citizens Bank Loan was issued on September 12, 2018 in the amount of \$83,000. Interest rate is fixed as 6.49%. The District used the proceeds to finance the purchase of a house, which is pledged as collateral. If the District is unable to make payments, the obligation contains an event of default; the lender may declare the entire unpaid principal and unpaid accrued interest immediately due. The General Fund will be used to liquidate the related debt.

**5. Santander - 2019 Bus Loans (2)**

The Santander - 2019 Bus Loans were issued on February 10, 2019 in the amount of \$109,951 and \$111,995, respectively. Interest rates are fixed as 3.8%. The District used the proceeds to finance the purchase of two 2019 Blue Bird buses, which are pledged as collateral. If the District

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

is unable to make payments, the obligations contain an event of default; the lender may declare the entire unpaid principal and unpaid accrued interest immediately due. The General Fund will be used to liquidate the related debt.

**6. Santander – 2020 Bus Loan**

The Santander – 2020 Bus Loan was issued on April 1, 2019 in the amount of \$111,9530. Interest rate is fixed as 3.8%. The District used the proceeds to finance the purchase of a 2020 Blue Bird bus, which is pledged as collateral. If the District is unable to make payments, the obligation contains an event of default; the lender may declare the entire unpaid principal and unpaid accrued interest immediately due. The General Fund will be used to liquidate the related debt.

**7. Interest Expense**

The District's interest expense for the year ended June 30, 2019 was \$86,093.

**8. Future Maturities of Long-Term Liabilities**

Year Ending June 30	Total			2016 Bus Lease		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 141,714	\$ 11,714	\$ 153,428	\$ 59,005	\$ 1,632	\$ 60,637
2021	78,271	14,520	92,791	-	-	-
2022	81,664	11,127	92,791	-	-	-
2023	85,213	7,128	92,341	-	-	-
2024	88,619	3,880	92,499	-	-	-
	<u>\$ 475,481</u>	<u>\$ 48,369</u>	<u>\$ 523,850</u>	<u>\$ 59,005</u>	<u>\$ 1,632</u>	<u>\$ 60,637</u>

Year Ending June 30	Citizens Bank Loan			Santander - 2019 Bus Loan		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 14,713	\$ 5,282	\$ 19,995	\$ 22,269	\$ 1,774	\$ 24,043
2021	15,563	4,432	19,995	20,711	3,332	24,043
2022	16,573	3,422	19,995	21,498	2,545	24,043
2023	17,649	2,346	19,995	22,315	1,278	23,593
2024	18,502	1,201	19,703	23,158	885	24,043
	<u>\$ 83,000</u>	<u>\$ 16,683</u>	<u>\$ 99,683</u>	<u>\$ 109,951</u>	<u>\$ 9,814</u>	<u>\$ 119,765</u>

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Year Ending June 30	Santander - 2019 Bus Loan			Santander - 2020 Bus Loan		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 22,683	\$ 1,807	\$ 24,490	\$ 23,044	\$ 1,219	\$ 24,263
2021	21,096	3,394	24,490	20,901	3,362	24,263
2022	21,898	2,592	24,490	21,695	2,568	24,263
2023	22,730	1,760	24,490	22,519	1,744	24,263
2024	23,588	902	24,490	23,371	892	24,263
	<u>\$ 111,995</u>	<u>\$ 10,455</u>	<u>\$ 122,450</u>	<u>\$ 111,530</u>	<u>\$ 9,785</u>	<u>\$ 121,315</u>

**G. 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 (deficit)						
Restricted for:						
Food service	\$ -	\$ -	\$ 15,612	\$ -	\$ -	\$ 15,612
Student activities	-	-	-	25,676	-	25,676
Memorials	-	-	-	12,149	-	12,149
Committed for:						
Bus replacement	16,310	-	-	-	-	16,310
Capital projects	-	-	-	-	13,820	13,820
Unassigned	<u>1,039,793</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,019,793</u>
Total fund balances	<u>\$ 1,056,103</u>	<u>\$ (20,000)</u>	<u>\$ 15,612</u>	<u>\$ 37,825</u>	<u>\$ 13,820</u>	<u>\$ 1,103,360</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.

**B. Retirement Plans**

**1. Oregon Public Employees Retirement System**



**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

*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

*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

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

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.

*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.

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

*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, 2019 were \$375,996.

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.

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

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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, 2016
Measurement Date	June 30, 2018
Experience Study	2016, published July 26, 2017
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 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	<p><b>Health retirees and beneficiaries:</b> RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b> Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p>

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

	<b>Disabled retirees:</b> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex distinct, generational per scale BB, disabled mortality table.
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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 2016 Experience Study, which reviewed experience for the four-year period ended December 31, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent. 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. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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/2018-CAFR.pdf>

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%

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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, 2019, the District reported a liability of \$2,623,509 for its proportionate share of the net pension liability.

The net pension liability was measured at June 30, 2018, 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, 2018 the District's proportion was 0.01731840%.

For the year ended June 30, 2019, the District recognized pension expense of \$527,576. At June 30, 2019, 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	\$ 89,244	\$ -
Changes of assumptions	609,961	-
Net difference between projected and actual earnings on investments	-	(116,499)
Changes in proportionate share	186,465	(108,004)
Differences between employer contributions and employer's proportionate share of system contributions	77,079	(5,790)
Total (prior to post-MD contributions)	962,749	(230,293)
Contributions after measurement date	295,842	-
Total (subsequent to post-MD contributions)	\$ 1,258,591	\$ (230,293)

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
2020	\$ 348,785
2021	255,761
2022	20,553
2023	82,430
2024	24,928

*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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

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

1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
\$ 4,384,380	\$ 2,623,509	\$ 1,170,055

*Changes Subsequent to the Measurement Date*

We are not aware of any changes subsequent to the June 30, 2018 measurement date that meet this requirement and thus would require a brief description under GASB standard.

**C. Other Post-Employment Benefits (GASB 75) RHIA - Oregon PERS Plan**

**1. Oregon Public Employees Retirement System (PERS) Retirement Health Insurance Account (RHIA) Other Post-Employment Benefit (OPEB) Plan (the Plan)**

*General Information about the OPEB Plan*

Name of OPEB Plan

The Oregon PERS RHIA consists of a single cost-sharing multiple-employer defined benefit OPEB plan.

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Description of Benefit Terms

*Plan Benefits – PERS RHIA (Chapter 238)*

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A, and the Internal Revenue Code Section 401(a).

*OPEB Membership*

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

To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (C) enroll in a PERS-sponsored health plan.

As of June 30, 2018, the inactive RHIA plan participants currently receiving benefits totaled 46,033, and there were 56,200 active and 15,215 inactive members who meet the requirements to receive RHIA benefits when they retire.

Basis of Accounting

Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements.

Consistent with GASB Statement No. 75, paragraph 59(a), employer proportions are determined as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined.

Contributions

Employer contributions for the year ended June 30, 2019 were \$6,683.

OPEB RHIA Plan Comprehensive Annual Financial Report (CAFR)

All assumptions, methods, and plan provisions used in these calculations are described in the Oregon PERS RHIA Cost-Sharing Multiple-Employer OPEB Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the year ended June 30, 2018. That independently audited report was dated March 1, 2019 and can be found at:

<https://www.oregon.gov/pers/EMP/Documents/GASB/2019/GASB-75-RHIA-YE-06-30-2018.pdf>



**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Proportionate Share Allocation Methodology

The basis for the employer's proportion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. If the employer did not make contributions during the fiscal year, their proportionate share will be set to zero and the employer will be allocated no proportionate share of the OPEB amounts.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study	2016, published July 26, 2017
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Retiree healthcare participation	Healthy retirees: 38%; disabled retirees: 20%
Mortality	<b>Health retirees and beneficiaries:</b> RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.  <b>Active members:</b> Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.  <b>Disabled retirees:</b> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex distinct, generational per scale BB, disabled mortality table.

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2016 Experience Study, which reviewed experience for the four-year period ended December 31, 2016.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2018 was 7.20. 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 RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA was applied to all periods of projected benefit payments to determine the total OPEB liability.

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/2018-CAFR.pdf>

Depletion Date Projection

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses.

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

*OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2019, the District reported an asset of \$12,035 for its proportionate share of the OPEB asset. The OPEB asset was measured at June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date.

The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018 the District's proportion was 0.010781240%.

For the year ended June 30, 2019, the District recognized OPEB credit of \$1,100. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (682)
Changes of assumptions	-	(38)
Net differences between projected and actual earnings on investments	-	(2,595)
Changes in proportionate share	58	-
Total (prior to post-MD contributions)	58	(3,315)
Contributions subsequent to the MD	5,792	-
Total	\$ 5,850	\$ (3,315)

Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service life determined as of the beginning of the June 30, 2018 measurement period is 3.3 years.

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2019. Other amounts reported by the District as deferred outflows or inflows of resources related to OPEB will be recognized in OPEB expense in subsequent years as follows:

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
2020	\$ (1,062)
2021	(1,068)
2022	(869)
2023	(258)
2024	-

*Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB asset calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a higher discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

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

1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
\$ (7,007)	\$ (12,035)	\$ (16,314)

*Changes Subsequent to the Measurement Date*

We are not aware of any changes subsequent to the June 30, 2018 measurement date that meet this requirement and thus would require a brief description under GASB standard.

**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.

**D. Concentrations of Funding Sources**

The District received a significant portion of its revenue from the state school fund. For the year

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

ended June 30, 2019, the District received approximately 77% of its total revenue from the state school fund and less than 6% from operating grants and contributions.

**E. New Pronouncements**

For the fiscal year ended June 30, 2019, the District implemented the following new accounting standards:

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 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.

**F. Restatement**

The District's previously issued financial statements were restated as follows:

<u>Government-wide Basis</u>	<u>Governmental Activities</u>
Net position - beginning, as originally reported	\$ (38,239)
To record net pension liability - OPEB RHIA	<u>7,723</u>
Net position - beginning, as restated	<u><u>\$ (30,516)</u></u>

**G. Subsequent Events**

Management has evaluated subsequent events through December 23, 2019, 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.01731840%	0.01506216%	0.01528724%	0.01860108%	0.018762360%
District's proportionate share of the net pension liability (asset)	\$ 2,623,509	\$ 2,030,385	\$ 2,294,970	\$ 1,067,974	\$ (425,289)
District's covered-employee payroll	\$ 1,263,943	\$ 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	208%	201%	256%	117%	-48%
Plan fiduciary net position as a percentage of the total pension liability	82.07%	83.12%	80.53%	91.88%	103.59%

**Schedule of District Contributions**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 374,710	\$ 367,844	\$ 289,838	\$ 203,154	\$ 192,355
Contributions in relation to the contractually required contribution	<u>(374,710)</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,336,643	\$ 1,805,222	\$ 1,194,310	\$ 1,057,538	\$ 966,773
Contributions as a percentage of covered-employee payroll	28%	20%	24%	19%	20%

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
OPEB LIABILITY (ASSET) AND DISTRICT CONTRIBUTIONS

**OREGON PERS SYSTEM**

**Schedule of the District's Proportionate Share of the OPEB  
Liability (Asset)**

	2019	2018	2017
District's proportion of the OPEB liability (asset)	0.010781240%	0.010920150%	0.010633950%
District's proportionate share of the OPEB liability (asset)	\$ (12,035)	\$ (4,557)	\$ 2,888
District's covered-employee payroll (from actuarial exhibits)	\$ 1,263,943	\$ 1,011,533	\$ 895,464
District's proportionate share of the OPEB liability (asset) as a percentage of its covered-employee payroll	-0.95%	-0.45%	0.32%
Plan fiduciary net position as a percentage of the total OPEB liability	123.99%	108.88%	94.15%

**Schedule of District Contributions**

	2019	2018	2017
Contractually required contribution	\$ 6,683	\$ 7,541	\$ 5,972
Contributions in relation to the contractually required contribution	<u>6,683</u>	<u>7,541</u>	<u>5,972</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,336,643	\$ 1,508,222	\$ 1,194,310
Contributions as a percentage of covered-employee payroll	0.5%	0.5%	0.5%



**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, 2019

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
<b>REVENUES</b>						
Local revenue	\$ 447,640	\$ 447,640	\$ 118,804	\$ 566,444	\$ -	\$ 566,444
Intermediate revenue	2,000	2,000	5,272	7,272	-	7,272
State revenue	<u>2,269,726</u>	<u>3,382,843</u>	<u>24,520</u>	<u>3,407,363</u>	<u>-</u>	<u>3,407,363</u>
Total revenues	<u>2,719,366</u>	<u>3,832,483</u>	<u>148,596</u>	<u>3,981,079</u>	<u>-</u>	<u>3,981,079</u>
<b>EXPENDITURES</b>						
Current						
Instruction	1,657,480	2,429,073	(487,393)	1,941,680	-	1,941,680
Support services	1,354,267	1,979,267	(281,854)	1,697,413	-	1,697,413
Debt service	92,660	92,660	(6,567)	86,093	-	86,093
Capital outlay	-	-	-	-	-	-
Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,104,407</u>	<u>4,501,000</u>	<u>(775,814)</u>	<u>3,725,186</u>	<u>-</u>	<u>3,725,186</u>
Excess (deficiency) of revenues over (under) expenditures	(385,041)	(668,517)	924,410	255,893	-	255,893
<b>OTHER FINANCING</b>						
<b>SOURCES (USES)</b>						
Sale of assets	500	500	1,600	2,100	-	2,100
Loan proceeds	-	333,476	-	333,476	-	333,476
Transfers out	<u>(30,000)</u>	<u>(80,000)</u>	<u>22,432</u>	<u>(57,568)</u>	<u>5,000</u>	<u>(52,568)</u>
Total other financing sources (uses)	<u>(29,500)</u>	<u>253,976</u>	<u>24,032</u>	<u>278,008</u>	<u>5,000</u>	<u>283,008</u>
Net change in fund balance	(414,541)	(414,541)	948,442	533,901	5,000	538,901
Fund balance - beginning	<u>414,541</u>	<u>414,541</u>	<u>91,352</u>	<u>505,893</u>	<u>11,309</u>	<u>517,202</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,039,794</u>	<u>\$ 1,039,794</u>	<u>\$ 16,309</u>	<u>\$ 1,056,103</u>

**ALSEA SCHOOL DISTRICT**  
**Benton County, Oregon**

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

SPECIAL REVENUE FUND

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
<b>REVENUES</b>						
Intermediate revenue	\$ 3,500	\$ 3,500	\$ 2,992	\$ 6,492	\$ -	\$ 6,492
State revenue	69,022	98,241	(27,723)	70,518	-	70,518
Federal revenue	<u>108,116</u>	<u>108,116</u>	<u>4,653</u>	<u>112,769</u>	<u>-</u>	<u>112,769</u>
Total revenues	<u>180,638</u>	<u>209,857</u>	<u>(20,078)</u>	<u>189,779</u>	<u>-</u>	<u>189,779</u>
<b>EXPENDITURES</b>						
Current						
Instruction	165,762	172,252	17,911	190,163	-	190,163
Support services	14,876	17,605	(14,876)	2,729	-	2,729
Capital outlay	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenditures	<u>180,638</u>	<u>209,857</u>	<u>3,035</u>	<u>212,892</u>	<u>-</u>	<u>212,892</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(23,113)	(23,113)	-	(23,113)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	<u>-</u>	<u>-</u>	<u>(68)</u>	<u>68</u>	<u>-</u>	<u>68</u>
Net change in fund balance	-	-	23,045	(23,045)	-	(23,045)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>3,045</u>	<u>3,045</u>	<u>-</u>	<u>3,045</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,090</u>	<u>\$ (20,000)</u>	<u>\$ -</u>	<u>\$ (20,000)</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, 2019

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
<b>REVENUES</b>						
Local revenue	\$ 7,000	\$ 7,000	\$ (3,055)	\$ 3,945	\$ -	\$ 3,945
State revenue	1,400	1,400	194	1,594	-	1,594
Federal revenue	<u>59,000</u>	<u>59,000</u>	<u>7,594</u>	<u>66,594</u>	<u>-</u>	<u>66,594</u>
Total revenues	<u>67,400</u>	<u>67,400</u>	<u>4,733</u>	<u>72,133</u>	<u>-</u>	<u>72,133</u>
<b>EXPENDITURES</b>						
Current						
Food service	<u>92,400</u>	<u>122,400</u>	<u>(20,908)</u>	<u>101,492</u>	<u>-</u>	<u>101,492</u>
Excess (deficiency) of revenues over (under) expenditures	(25,000)	(55,000)	25,641	(29,359)	-	(29,359)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	<u>20,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net change in fund balance	(5,000)	(5,000)	25,641	20,641	-	20,641
Fund balance - beginning	<u>5,000</u>	<u>5,000</u>	<u>(10,029)</u>	<u>(5,029)</u>	<u>-</u>	<u>(5,029)</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,612</u>	<u>\$ 15,612</u>	<u>\$ -</u>	<u>\$ 15,612</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, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
<b>REVENUES</b>					
Local revenue	\$ 98,750	\$ (69,851)	\$ 28,899	\$ -	\$ 28,899
<b>EXPENDITURES</b>					
Current					
Instruction	<u>133,750</u>	<u>(103,498)</u>	<u>30,252</u>	<u>-</u>	<u>30,252</u>
Net change in fund balance	(35,000)	33,647	(1,353)	-	(1,353)
Fund balance - beginning	<u>35,000</u>	<u>4,178</u>	<u>39,178</u>	<u>-</u>	<u>39,178</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 37,825</u>	<u>\$ 37,825</u>	<u>\$ -</u>	<u>\$ 37,825</u>

**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, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP
			Budget Basis	Adjustments	Basis
<b>REVENUES</b>	\$ -	-	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>					
Current					
Support services	6,310	(6,310)	-	-	-
Debt service	10,000	(10,000)	-	-	-
Total expenditures	16,310	(16,310)	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(16,310)	16,310	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	5,000	-	5,000	(5,000)	-
Net change in fund balance	(11,310)	(16,310)	5,000	(5,000)	-
Fund balance - beginning	11,310	1	11,309	(11,309)	-
Fund balance - ending	\$ -	\$ (16,309)	\$ 16,309	\$ (16,309)	\$ -

**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, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP
			Budget Basis	Adjustments	Basis
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>					
Capital outlay	<u>163,000</u>	<u>(39,888)</u>	<u>123,112</u>	<u>-</u>	<u>123,112</u>
Excess (deficiency) of revenues over (under) expenditures	(163,000)	39,888	(123,112)	-	(123,112)
<b>OTHER FINANCING</b>					
<b>SOURCES (USES)</b>					
Loan proceeds	100,000	(17,980)	82,020	-	82,020
Transfers in	<u>5,000</u>	<u>(2,500)</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total other financing sources (uses)	105,000	(20,480)	84,520	-	84,520
Net change in fund balance	(58,000)	19,408	(38,592)	-	(38,592)
Fund balance - beginning	<u>58,000</u>	<u>-</u>	<u>52,412</u>	<u>-</u>	<u>52,412</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 13,820</u>	<u>\$ 13,820</u>	<u>\$ -</u>	<u>\$ 13,820</u>

## **OTHER FINANCIAL SCHEDULES**



**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**REVENUE SUMMARY - ALL FUNDS**

June 30, 2019

**Revenue from Local Sources**

	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 400</b>
1110 Ad Valorem Taxes Levied by District	\$ 421,284.00	\$ -	\$ -
1190 Penalties and Interest on Taxes	3,669.53		
1500 Earnings on Investments	25,517.45	7.87	-
1600 Food Service	-	3,945.35	-
1700 Extracurricular Activities	420.00	27,771.41	-
1920 Contributions and Donations From Private Sources	790.00	120.00	-
1940 Services Provided to Other Local Education Agencies	93,886.83	-	-
1990 Miscellaneous	20,872.31	1,000.00	-
<b>Total Revenue from Local Sources</b>	<b>\$ 566,440.12</b>	<b>\$ 32,844.63</b>	<b>\$ -</b>

**Revenue from Intermediate Sources**

	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 400</b>
2101 County School Funds	\$ 7,271.79	\$ -	\$ -
2199 Other Intermediate Sources	-	6,490.05	-
<b>Total Revenue from Intermediate Sources</b>	<b>\$ 7,271.79</b>	<b>\$ 6,490.05</b>	<b>\$ -</b>

**Revenue from State Sources**

	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 400</b>
3101 State School Fund - General Support	\$ 3,361,243.77	\$ -	\$ -
3103 Common School Fund	27,565.36	-	-
3199 Unrestricted Grants-in-aid	-	17,392.78	-
3203 Special Education	18,553.75	-	-
3299 Other Restricted Grants-in-aid	-	54,718.96	-
<b>Total Revenue from State Sources</b>	<b>\$ 3,407,362.88</b>	<b>\$ 72,111.74</b>	<b>\$ -</b>

**Revenue from Federal Sources**

	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 400</b>
4100 Unrestricted Revenue From the Federal Government	\$ -	\$ 14,629.43	\$ -
4500 Restricted Revenue From the Federal Government Through the State	-	160,651.43	-
4900 Revenue for/on Behalf of the District	-	4,081.78	-
<b>Total Revenue from Federal Sources</b>	<b>\$ -</b>	<b>\$ 179,362.64</b>	<b>\$ -</b>

**Revenue from Other Sources**

	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 400</b>
5100 Long-term debt proceeds	\$ 333,476.00	\$ -	\$ 82,020.00
5200 Interfund Transfers	-	55,067.53	2,500.00
5300 Sale of Fixed Assets	2,100.00	-	-
5400 Resources - Beginning Fund Balance	505,892.11	48,502.87	52,411.93
<b>Total Revenue from Other Sources</b>	<b>\$ 841,468.11</b>	<b>\$ 103,570.40</b>	<b>\$ 136,931.93</b>

**Grand Totals**

<b>\$ 4,822,542.90</b>	<b>\$ 394,379.46</b>	<b>\$ 136,931.93</b>
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**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**EXPENDITURE SUMMARY - GENERAL FUND**

June 30, 2019

**Instruction Expenditures**

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>
1111 Elementary, K-5 or K-6	\$ 506,488.38	\$ 316,915.48	\$ 180,999.80
1121 Middle/Junior High School Programs	273,273.89	159,136.82	103,309.21
1122 Middle/Junior High School Extracurricular	17,813.85	12,275.00	2,901.08
1131 High School Programs	352,356.76	200,045.74	121,667.61
1132 High School Extracurricular	82,728.66	36,597.04	17,876.05
1140 Pre-kindergarten Programs	1,698.67	498.67	-
1250 Less Restrictive Programs for Students with Disabilities	279,677.51	162,290.98	97,558.58
1280 Alternative Education	427,640.93	8,394.13	5,964.91
<b>Total Instruction Expenditures</b>	<b>\$ 1,941,678.65</b>	<b>\$ 896,153.86</b>	<b>\$ 530,277.24</b>

**Support Services Expenditures**

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>
2110 Attendance and Social Work Services	\$ 2,798.00	\$ -	\$ -
2130 Health Services	265.38	-	-
2140 Psychological Services	17.74	-	-
2220 Educational Media Services	986.40	-	-
2240 Instructional Staff Development	2,091.00	-	2,091.00
2310 Board of Education Services	20,594.05	-	1,456.88
2320 Executive Administration Services	81,381.66	48,898.98	25,945.70
2410 Office of the Principal Services	236,583.08	150,689.63	69,553.29
2520 Fiscal Services	118,067.32	53,143.00	32,204.88
2540 Operation and Maintenance of Plant Services	314,736.01	70,799.28	41,820.76
2550 Student Transportation Services	864,066.04	257,694.59	142,327.09
2570 Internal Services	9,553.41	6,984.53	2,568.88
2660 Technology Services	46,270.98	-	-
<b>Total Support Services Expenditures</b>	<b>\$ 1,697,411.07</b>	<b>\$ 588,210.01</b>	<b>\$ 317,968.48</b>

**Other Uses Expenditures**

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>
5100 Debt Service	\$ 86,093.00	\$ -	\$ -
5200 Transfers of Funds	57,567.53	-	-
<b>Total Other Uses Expenditures</b>	<b>\$ 143,660.53</b>	<b>\$ -</b>	<b>\$ -</b>

**Grand Total**

<b>\$ 3,782,750.25</b>	<b>\$ 1,484,363.87</b>	<b>\$ 848,245.72</b>
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Object 300	Object 400	Object 500	Object 600	Object 700
\$ 596.36	\$ 7,614.74	\$ -	\$ 362.00	\$ -
6,196.81	4,631.05	-	-	-
-	2,416.77	-	221.00	-
1,092.00	29,289.41	-	262.00	-
13,265.96	11,849.61	-	3,140.00	-
1,200.00	-	-	-	-
17,468.84	1,994.95	-	364.16	-
412,739.41	542.48	-	-	-
<b>\$ 452,559.38</b>	<b>\$ 58,339.01</b>	<b>\$ -</b>	<b>\$ 4,349.16</b>	<b>\$ -</b>

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 2,798.00	\$ -	\$ -	\$ -	\$ -
-	265.38	-	-	-
-	17.74	-	-	-
-	986.40	-	-	-
-	-	-	-	-
12,503.58	1,492.10	-	5,141.49	-
4,645.14	255.25	-	1,636.59	-
1,236.31	13,971.85	-	1,132.00	-
31,743.24	-	-	976.20	-
132,307.05	41,536.52	-	28,272.40	-
93,938.79	22,302.52	333,476.00	14,327.05	-
-	-	-	-	-
30,727.84	14,587.94	-	955.20	-
<b>\$ 309,899.95</b>	<b>\$ 95,415.70</b>	<b>\$ 333,476.00</b>	<b>\$ 52,440.93</b>	<b>\$ -</b>

Object 300	Object 400	Object 500	Object 600	Object 700
\$ -	\$ -	\$ -	\$ 86,093.00	\$ -
-	-	-	-	57,567.53
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 86,093.00</b>	<b>\$ 57,567.53</b>
<b>\$ 762,459.33</b>	<b>\$ 153,754.71</b>	<b>\$ 333,476.00</b>	<b>\$ 142,883.09</b>	<b>\$ 57,567.53</b>

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**EXPENDITURE SUMMARY - SPECIAL REVENUE FUNDS**

June 30, 2019

<b>Instruction Expenditures</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 600</b>
1113 Elementary Extracurricular	\$ 5,092.96	\$ -	\$ -	\$ -	\$ 5,092.96	\$ -
1121 Middle/Junior High School Programs	238.04	238.04	-	-	-	-
1122 Middle/Junior High School Extracurricular	6,252.01	1,600.00	576.36	4,075.65	-	-
1131 High School Programs	17,636.12	11,978.37	5,657.75	-	-	-
1132 High School Extracurricular	25,159.18	-	-	4,093.34	20,805.84	260.00
1140 Pre-kindergarten Programs	17,584.83	7,734.77	2,430.06	7,385.00	35.00	-
1250 Less Restrictive Programs for Students with Disabilities	36,526.16	21,479.19	14,884.13	-	-	162.84
1272 Title I	76,243.54	38,869.70	27,373.84	-	10,000.00	-
1280 Alternative Education	35,679.64	22,374.18	13,305.46	-	-	-
<b>Total Instruction Expenditures</b>	<b>\$ 220,412.48</b>	<b>\$ 104,274.25</b>	<b>\$ 64,227.60</b>	<b>\$ 15,553.99</b>	<b>\$ 35,933.80</b>	<b>\$ 422.84</b>
<b>Support Services Expenditures</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 600</b>
2210 Improvement of Instruction Services	\$ 2,729.89	\$ 1,216.14	\$ 358.27	\$ 1,155.48	\$ -	\$ -
<b>Total Support Services Expenditures</b>	<b>\$ 2,729.89</b>	<b>\$ 1,216.14</b>	<b>\$ 358.27</b>	<b>\$ 1,155.48</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Enterprise and Community Services</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 600</b>
3100 Food Services	\$ 101,490.70	\$ 20,109.96	\$ 10,935.33	\$ 824.64	\$ 69,620.77	\$ -
<b>Total Enterprise and Community Services Expenditures</b>	<b>\$ 101,490.70</b>	<b>\$ 20,109.96</b>	<b>\$ 10,935.33</b>	<b>\$ 824.64</b>	<b>\$ 69,620.77</b>	<b>\$ -</b>
<b>Facilities Acquisition and Construction</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 600</b>
4150 Building Acquisition, Construction and Improvement Services	\$ 20,000.00	\$ -	\$ -	\$ 20,000.00	\$ -	\$ -
<b>Total Facilities Acquisition and Construction</b>	<b>\$ 20,000.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,000.00</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Grand Total</b>	<b>\$ 344,633.07</b>	<b>\$ 125,600.35</b>	<b>\$ 75,521.20</b>	<b>\$ 37,534.11</b>	<b>\$ 105,554.57</b>	<b>\$ 422.84</b>

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

EXPENDITURE SUMMARY - CAPITAL PROJECTS FUND

June 30, 2019

**Facilities Acquisition and Construction**

4150 Building Acquisition, Construction and Improvement Services

**Total Facilities Acquisition and Construction**

**Grand Total**

Totals	Object 300	Object 500
\$ 123,112.40	\$ 5,000.00	\$ 118,112.40
\$ 123,112.40	\$ 5,000.00	\$ 118,112.40
\$ 123,112.40	\$ 5,000.00	\$ 118,112.40

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

Federal Grantor, Pass through Grantor, Program Title	CFDA	Expenditures
<b><u>U.S. Department of Education</u></b>		
Rural Education	84.358	\$ 14,629
Passed through Oregon State Department of Education		
Title 1, Part A Cluster		
Title 1 Grants to Local Educational Agencies	84.010	38,846
Title IV A - Student Support and Academic Enrichment	84.424	17,347
Special Education (IDEA) Cluster		
IDEA Special Education Grants to States	84.027	36,526
Title IIA Improving Teaching Quality State Grants	84.367	5,421
Total passed through Oregon State Department of Education		98,140
Total U.S. Department of Education		112,769
<b><u>U.S. Department of Agriculture</u></b>		
Passed through Oregon State Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	25,149
National School Lunch Program	10.555	37,365
National School Lunch Program - Commodities	10.555	4,082
Total Child Nutrition Cluster		66,596
Total federal expenditures		\$ 179,365

**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, 2019, and have issued our report thereon dated December 23, 2019. 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.



## 2. Expenditures in Excess of Appropriations

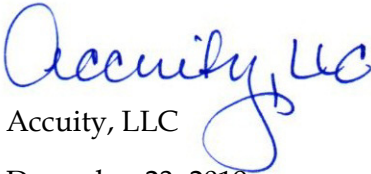
The District expended funds in excess of appropriations as follows:

<u>Fund</u>	<u>Function</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Fund	Instruction	\$ 172,252	\$ 190,163	\$ 17,911

### 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 23, 2019.

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 23, 2019

**ALSEA SCHOOL DISTRICT NO. 7J**  
**Benton County, Oregon**

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2019

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

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

	Objects 325 and 326
Function 2540	\$ 51,945
Function 2550	\$

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

\$	-
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Exclude these functions:

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