



**REEDSPORT SCHOOL DISTRICT  
NO. 105**

**REEDSPORT, OREGON**

**JUNE 30, 2018  
ANNUAL FINANCIAL REPORT**

**UMPQUA VALLEY FINANCIAL, LLC**

**REEDSPORT SCHOOL DISTRICT NO. 105**

100 Ranch Road  
Reedsport, Oregon 97467  
(541) 271-3656

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**DISTRICT OFFICIALS**

JENNIFER CLARK . . . . .	Board Chair
3340 Fernwood Place, Reedsport, OR 97467	
ERIC BRANDON . . . . .	Vice Chair
8130 Lower Smith River Rd., Reedsport, OR 97467	
SHELLEY SWIFT . . . . .	Director
11234 Ranch Rd, Reedsport, OR 97467	
SANDRA DONNELLY . . . . .	Director
Po Box 357, Reedsport, OR 97467	
GREG CARTER . . . . .	Director
281 Johanneson Creek Rd, Reedsport, OR 97467	
DUANE WISEHART . . . . .	Director
4501 S. Smith River Rd., Reedsport, OR 97467	
PATTY LASKEY . . . . .	Ex- Vice Chair
100 Chinook Lane, Reedsport, OR 97467	
TAMARA SZALEWSKI . . . . .	Ex-Director
77411 Old Hwy 101, Reedsport, OR 97467	
KATHY BROWNING . . . . .	Ex-Director
2050 Greenwood, Reedsport, OR 97467	

**ADMINISTRATION**

DAN FORBESS . . . . .	Superintendent
100 Ranch Road, Reedsport, OR 97467	
LAURA SHIVERS . . . . .	Interim Business Manager
100 Ranch Road, Reedsport, OR 97467	

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **AUDIT REPORT**

**JUNE 30, 2018**

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### **TABLE OF CONTENTS**

#### **PAGE**

**INDEPENDENT AUDITOR'S REPORT . . . . . 1a-1c**

**MANAGEMENT'S DISCUSSION AND ANALYSIS . . . . . 2 - 10**

#### **BASIC FINANCIAL STATEMENTS:**

##### **Government-wide Financial Statements:**

Statement of Net Position . . . . . 11

Statement of Activities . . . . . 12

##### **Fund Financial Statements:**

Balance Sheet - Government Funds . . . . . 13

Reconciliation of the Balance Sheet - Government Funds  
to the Statement of Net Position . . . . . 14

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Government Funds . . . . . 15

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Government Funds to the Statement of Activities . . . . . 16

Statement of Fiduciary Net Position . . . . . 17

Statement of Changes in Fiduciary Net Position . . . . . 18

**Notes to the Basic Financial Statements. . . . . 19 - 47**

#### **REQUIRED SUPPLEMENTARY INFORMATION:**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - General Fund #100 . . . . . 48

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual:

Special Revenue Fund #200 . . . . . 49

Charter School #700. . . . . 50

Schedule of Proportionate Share of the Net Pension Liability . . . . . 51

Schedule of Employer Contributions . . . . . 52

Schedule of Proportionate Share of the Net OPEB (RHIA) Liability. . . . . 53

Schedule of Employer Contributions OPEB (RHIA) . . . . . 54

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **AUDIT REPORT**

**JUNE 30, 2018**

---

### **TABLE OF CONTENTS (Continued)**

	<b><u>PAGE</u></b>
<b>OTHER SUPPLEMENTARY INFORMATION:</b>	
<b><u>Non-Major Governmental Funds:</u></b>	
Combining Balance Sheet - All Non-Major Governmental Funds - By Fund Type . . . . .	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All Non-Major Governmental Funds - by Fund Type . . . . .	56
<b><u>Debt Service Funds:</u></b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
PERS Bond Fund #315 (A Major Fund) . . . . .	57
2008 GO Bond Fund #320 (A Non-Major Fund) . . . . .	58
<b><u>Capital Projects Funds:</u></b>	
Combining Balance Sheet . . . . .	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	60
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Construction/Improvement Project Fund #410. . . . .	61
Seismic Grant Fund #420 . . . . .	62
<b><u>Fiduciary Funds:</u></b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Private Purpose Trust Fund . . . . .	63
<b><u>Additional Supporting Schedules:</u></b>	
Schedule of Long-Term Debt Transactions & Future Requirements. . . . .	64-65
<b>ACCOMPANYING INFORMATION:</b>	
Independent Auditor's Report Required by Oregon State Regulations . . . . .	66

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **AUDIT REPORT**

**JUNE 30, 2018**

---

### **TABLE OF CONTENTS (Continued)**

	<b><u>PAGE</u></b>
<b>SINGLE AUDIT SECTION</b>	
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standard . . .	67
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance . . . .	68 - 69
Schedule of Expenditures of Federal Awards . . . . .	70
Notes to the Schedule of Expenditures of Federal Awards . . . . .	71
Schedule of Findings and Questioned Costs . . . . .	72
Summary Schedule of Prior Year Audit Findings . . . . .	73 - 74
<b>INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION</b>	
<u>Form 581-3211-C</u> . . . . .	75
Revenue Summary – All Funds . . . . .	76
Expenditure Summary – General Fund #100 . . . . .	77
Expenditure Summary – Special Revenue Funds #200 . . . . .	78
Expenditure Summary – Debt Service Funds #300 . . . . .	79
Expenditure Summary – Capital Projects Funds #400 . . . . .	80
Expenditure Summary – Trust and Agency Funds #700 . . . . .	81



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Reedsport School District No. 105  
100 Ranch Road  
Reedsport, Oregon 97467

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reedsport School District No. 105 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the 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 Reedsport School District No. 105 as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-10, the schedules of revenues, expenditures and changes in fund balances – budget and actuals on pages 48-50, and pension schedules on pages 51-54 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.

I have applied certain limited procedures to the management's discussion and analysis and pension schedules in accordance with the auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of revenues, expenditures and changes in fund balances – budget and actuals described above on pages 48-50 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedules of revenues, expenditures and changes in fund balances – budget and actuals have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 my opinion, the schedules of revenues, expenditures and changes in fund balances – budget and actuals are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Reedsport School District No. 105's basic financial statements. The other supplementary information on pages 55-65 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Reedsport School District No. 105. The schedule of expenditures of federal awards on page 70 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

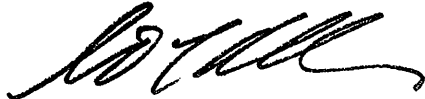
The other supplementary information on pages 55-65 and the schedule of expenditures of federal awards on page 70 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued our report dated December 14, 2018, on our consideration of the Reedsport School District No. 105's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Reedsport School District No. 105's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have issued our report dated December 14, 2018, on our consideration of the Reedsport School District No. 105's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on the District's compliance.

A handwritten signature in black ink, appearing to read 'Steve Tuchscherer', with a stylized, flowing script.

Steve Tuchscherer, CPA  
December 14, 2018



**MANAGEMENT'S DISCUSSION**  
**AND ANALYSIS**

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **Management's Discussion and Analysis (MD&A)**

**For the Fiscal Year Ended June 30, 2018**

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The discussion and analysis of Reedsport School District's financial performance provides an overview of the District's financial activities for the fiscal year that ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year ended June 30, 2018 are as follows:

- Pension and OPEB asset and liability accounts are based on estimates from Oregon PERS that will fluctuate significantly from year to year, which impact several of the following highlights. See Pension and OPEB notes for additional information.
- The District's net position increased by \$235,678 which represents an 18.2 percent increase from the previous year.
- General revenues accounted for \$8,148,924 in revenue, or 76.6 percent of all revenues. Program specific revenues in the form of charges for services, and grants and donations accounted for \$2,485,462 or 23.4 percent of total revenues of \$10,634,386.
- Total assets of governmental activities increased by \$522,207 a percentage increase of 3.6 percent, primarily due to an increase in cash and capital assets from the prior year.
- Total liabilities decreased by \$1,259,288 primarily due to the decrease in net pension liability of \$853,680.
- Among the governmental funds, the general fund had \$8,578,906 in revenues, which primarily consisted of state school support funds and property taxes as well as \$300,000 of long-term debt financing sources. General Fund expenditures totaled \$8,718,795 including \$225,722 in budgeted interfund transfers out. The General Fund's ending fund balance at June 30, 2018 was \$1,018,686; a decrease of \$139,889 from the prior year's ending fund balance of \$1,158,575.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes additional supplementary information to supplement the basic financial statements.

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **Management's Discussion and Analysis (MD&A)**

**For the Fiscal Year Ended June 30, 2018**

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### *Government-wide Financial Statements*

The first of the government-wide statements is the *Statement of Net Position*. This is the District-wide statement of financial position presenting information that includes all of the District's assets and liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other non-financial factors such as the condition of school buildings and other facilities and changes in the district's enrollment, which dictates the majority of revenue to be collected through the State Funding Formula.

The second government-wide statement is the *Statement of Activities* which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the *Statement of Activities* is to show the financial reliance of the distinct activities or functions of the District that are primarily supported by intergovernmental revenues, principally state basic school support and property tax revenues. The governmental activities of the District include instruction, instructional support services, operation and maintenance of plant, student transportation, and non-instructional support services.

### *Fund Financial Statements*

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, Fund Financial Statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of individual budget versus actual statements and combining statements in a later section of this report.

At this time the District has only one kind of fund:

*Governmental funds*, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. Unlike the government-wide financial statements, these statements report short-term fiscal accountability focusing on use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year. They are useful in evaluating whether the annual financing requirements of governmental programs such as regular and special education were financed in the short term and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provides a reconciliation to government-wide statements to assist in understanding the differences between these two perspectives.

### *Notes to the Financial Statements*

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **Management's Discussion and Analysis (MD&A)**

**For the Fiscal Year Ended June 30, 2018**

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### *Other Information*

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information budgetary comparison statements for the General Fund, the Retirement Liability Fund, and the Grants and Projects Fund. The required supplementary information immediately follows the notes to the financial statements. Other supplementary information includes combining statements, individual fund statements and schedules, and other schedules. These schedules immediately follow the required supplementary information in this report.

### **Financial Analysis of the School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The District's net position at fiscal year-end is \$1,530,962. This is an \$235,678 increase from last year's net position and represents an 18.2 percent increase from the previous year.

The following table provides a summary of the District's net position for the current and prior years.

<b>Summary of Net Position</b>			
	Governmental Activities		Percentage
	June 30, 2018	June 30, 2017	Change
<b>Assets</b>			
Current and Other Assets	\$ 3,533,507	\$ 3,415,652	3.5%
Capital Assets	11,421,687	11,017,335	3.7%
Total Assets	14,955,194	14,432,987	3.6%
<b>Deferred Outflow of Resources</b>	1,429,030	2,686,442	-46.8%
<b>Liabilities</b>			
Long-Term Liabilities	13,827,361	14,506,361	-4.7%
Other Liabilities	454,974	1,035,262	-56.1%
Total Liabilities	14,282,335	15,541,623	-8.1%
<b>Deferred Inflow of Resources</b>	570,929	282,522	102.1%
<b>Net Position</b>			
Net Investment in Capital Assets	2,811,687	2,127,335	32.2%
Restricted	-	769,076	-100.0%
Unrestricted	(1,280,725)	(1,601,127)	20.0%
Total Net Position - Restated for Prior Year	<u>\$ 1,530,962</u>	<u>\$ 1,295,284</u>	18.2%

**REEDSPORT SCHOOL DISTRICT NO. 105****Management's Discussion and Analysis (MD&A)****For the Fiscal Year Ended June 30, 2018**

The following table shows the changes in net position for the current and prior years.

<b>Changes in Net Position</b>			
	Governmental Activities		Percentage Change
	2017-18	2016-17	
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 133,758	\$ 446,180	-70.0%
Operating Grants and Contributions	1,465,361	958,795	52.8%
Capital Grants and Contributions	886,343	-	
General Revenues			
Property Taxes	2,509,384	2,525,267	-0.6%
State Basic School Support	5,223,524	5,043,914	3.6%
Unrestricted Grants/Contributions	150,367	98,739	52.3%
Other	265,650	18,755	1316.4%
Total Revenues	10,634,386	9,091,650	17.0%
<b>Program Expenses</b>			
Instruction	5,367,395	5,444,919	-1.4%
Support Services	4,026,472	2,554,631	57.6%
Community Services	428,090	358,124	19.5%
Unallocated Depreciation and Amortization		347,136	
Interest on Long-Term Debt	576,752	567,581	1.6%
Total Program Expenses	10,398,708	9,272,391	12.1%
Prior Period Adjustment	-	360,765	
<b>Change in Net Position</b>	<b>\$ 235,678</b>	<b>\$ 180,024</b>	

The largest governmental activities program is instruction, which comprises 51.6 percent of expenses. Interest expense was 5.5 percent of expenses.

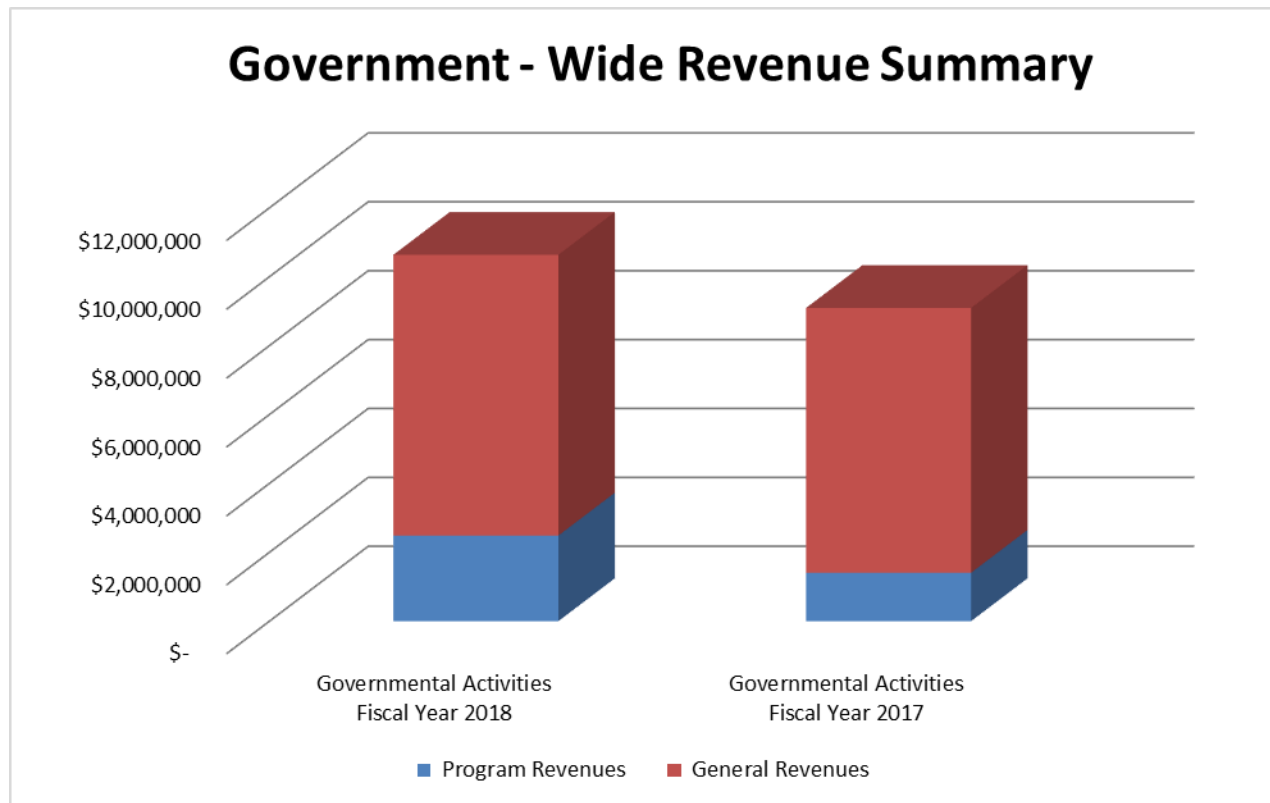
# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **Management's Discussion and Analysis (MD&A)**

**For the Fiscal Year Ended June 30, 2018**

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The following chart analyzes the revenue between governmental activities from prior to current year.



## **REEDSPORT SCHOOL DISTRICT NO. 105**

### **Management's Discussion and Analysis (MD&A)**

**For the Fiscal Year Ended June 30, 2018**

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table shows, for governmental activity, the total cost of the four major functional activities of the District. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

#### **Governmental Activities**

	2017-18		2016-17	
	Total Cost of Services	Net Cost (Profit) of Services	Total Cost of Services	Net Cost (Profit) of Services
Instruction	\$ 5,367,395	\$ 4,485,098	\$ 5,444,919	\$ 4,667,090
Support Services	4,026,472	2,819,800	2,554,631	2,423,741
Community Services	428,090	31,596	358,124	83,711
Interest on Long-Term Debt	576,752	576,752	567,581	675,531
Total Program Expenses	<u>\$ 10,398,708</u>	<u>\$ 7,913,246</u>	<u>\$ 8,925,255</u>	<u>\$ 7,850,073</u>

In comparing the Total Cost of Services to the Net Cost (Profit) of Services, it becomes evident of the dependence on general revenues, particularly property tax and state basic support revenues. More than 83 percent of instruction activities are supported through general revenues. For all governmental activities general revenue support was 76.1 percent. Unrestricted state basic school support payments are by far the primary support of Reedsport School District No. 105 students.

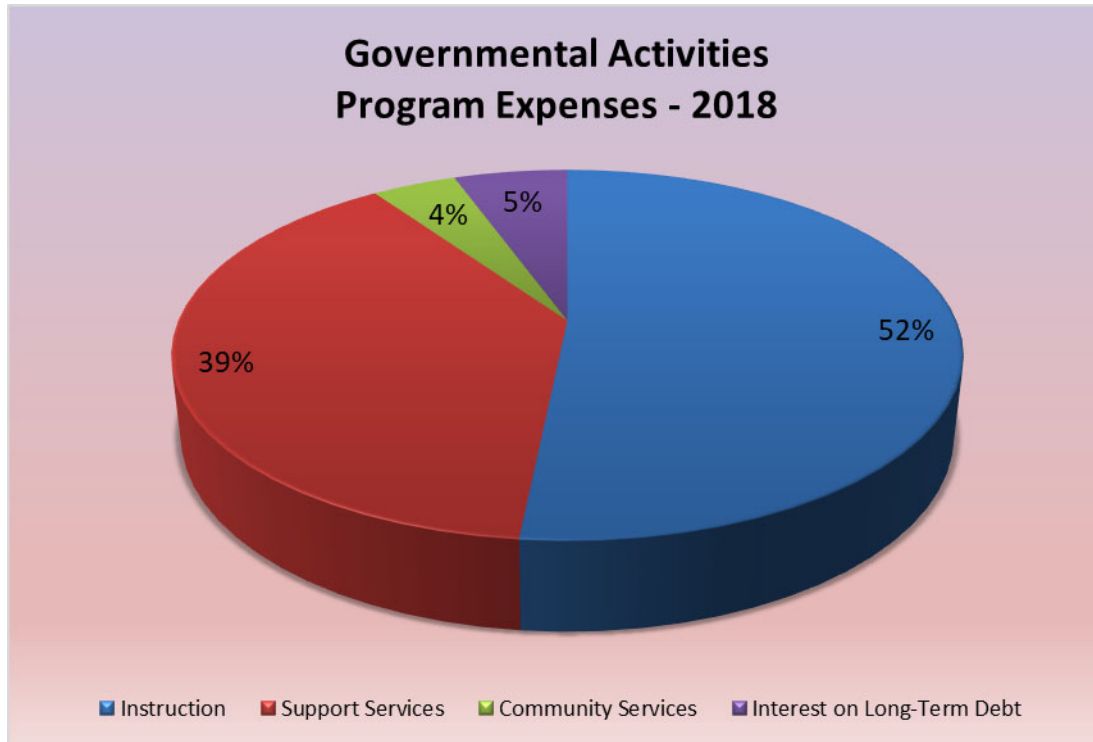
## **REEDSPORT SCHOOL DISTRICT NO. 105**

### **Management's Discussion and Analysis (MD&A)**

**For the Fiscal Year Ended June 30, 2018**

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This graph represents the cost of the District's program expenses by governmental activities.



### **Financial Analysis of the District's Funds**

#### *Governmental Funds*

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,877,380; an increase of \$215,686. The fund balance constitutes unspendable, restricted, committed, and unassigned amounts. Of the current fund balance, \$1,018,686 is unassigned and available for spending at the District's discretion.

The General Fund is the principal operating fund of the District. A decrease in the ending fund balance of \$139,889 occurred in the General Fund for the fiscal year.



# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **Management's Discussion and Analysis (MD&A)**

**For the Fiscal Year Ended June 30, 2018**

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### **Budgetary Highlights**

General Fund revenues were budgeted and anticipated to be collected in the amount of \$8,491,123 during the fiscal year. This amount does not include the budgeted beginning fund balance. The actual revenues recognized by the General Fund totaled \$8,578,906, which exceeded the budgeted amount by \$87,783.

The General Fund expenditure budget of \$9,292,156 was under-spent by \$573,361. The actual ending fund balance of \$1,018,686 exceeded the budgeted ending fund balance by \$768,659.

The Special Revenue Fund revenues were budgeted and anticipated to be collected in the amount of \$1,959,475 during the fiscal year. Actual revenues recognized by the Special Revenue Fund totaled \$1,663,750. The Special Revenue Fund expenditure budget of \$2,165,750 was under-spent by \$558,584. The actual ending fund balance of \$1,046,200 exceeded the budgeted ending fund balance by \$861,200.

### **Capital Assets and Debt Administration**

#### *Capital Assets*

As of June 30, 2018, the District had invested \$21,660,545 in capital assets, before depreciation, including school buildings, athletic facilities, land, vehicles, computers and other equipment and furnishings. This amount increased \$749,632 from the previous period due to additions to construction in progress. Equipment and other asset acquisitions with a cost of less than \$5,000 are not capitalized.

Total depreciation expense for the year was \$345,281. Additional information on the District's capital assets can be found in the Capital Assets section of the notes to the basic financial statements in this report.

#### *Long-Term Debt*

At June 30, 2018 the District had total bonds payable outstanding of \$10,898,663.

This District paid \$340,045 in principal during the fiscal year and \$577,457 in interest.

## **REEDSPORT SCHOOL DISTRICT NO. 105**

### **Management's Discussion and Analysis (MD&A)**

**For the Fiscal Year Ended June 30, 2018**

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#### **Economic Factors and Next Year's Budget and Rates**

Although the 2018-2019 proposed budget required some program reductions to become balanced, the Reedsport School District continues to be on good financial footing. In all, they are proposing a General Fund budget of \$9,106,104, which is an increase of \$314,975 above last year's budget. Most of the budget increase is attributed to a 2% cost of living adjustment for all employees, increasing the superintendent position from half-time to full-time, adding a half-time special education teacher, and an overall increase in our building utilities (e.g. electricity use, heating fuel, garbage disposal) costs.

Although the student enrollment has been steadily increasing during the past few years, there has been a slight downturn in the current 2017-2018 enrollment. The 2018-19 proposed budget revenue reflects a slight enrollment decline. Historically, the District would receive a 2% increase in base State School Fund revenue. However, the Oregon Legislature flat-funded the second year of 2017-2019 budget biennium, which means SSF revenue is actually decreasing, due to the slight enrollment drop. Overall, the District believes enrollment is stable and the level of budget for important student programs and support services can be maintained in the foreseeable future.

The General Fund budget is supported by service credits, about \$284,500 from regional education service district, South Coast ESD, which are being used to support a portion of Special Education services. Unfortunately, South Coast ESD will not be able to provide full Business Services to the school district next year. Fortunately, Douglas ESD has agreed to provide this important service to the district at the same price (\$92,000). Overall, the District will be purchasing more than \$564,000 in combined ESD services next year. The District will continue to receive federal and state school improvement/district improvement grants, about \$300,000 in total, aimed at improving teacher skills to support student reading, math, and overall climate/culture improvement goals in both buildings.

#### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have any questions about this report or need additional information, contact the Business Office, Reedsport School District No. 105, 100 Ranch Rd. Reedsport, OR 97467-1739

**BASIC FINANCIAL**  
**STATEMENTS**

**Government-wide**  
**Financial Statements**

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **STATEMENT OF NET POSITION**

**June 30, 2018**

	<b>Governmental Activities</b>	
<b><u>ASSETS:</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,316,153	
Property Taxes Receivable	248,386	
Accounts Receivable	877,607	
Prepaid Expenses	72,090	
Inventory-Food, Supplies & Commodities	6,427	
Other Current Assets	1,538	
Total Current Assets		\$ 3,522,201
Restricted Assets:		
Net OPEB Asset (RHIA)	11,306	
Total Restricted Assets		11,306
Capital Assets:		
Land	622,451	
Construction in Progress	749,632	
Land Improvement	120,535	
Building and Building Improvement	17,136,868	
Machinery and Equipment	3,031,059	
Less: Accumulated Depreciation	(10,238,858)	
Total Capital Assets, Net of Depreciation		11,421,687
<b>Total Assets</b>		<b>14,955,194</b>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>		
Pension Related Deferrals	1,414,588	
OPEB Related Deferrals - RHIA	14,442	
<b>Total Deferred Outflow of Resources</b>		<b>1,429,030</b>
<b><u>LIABILITIES:</u></b>		
Accounts Payable	\$ 4,911	
Accrued Interest Payable	15,038	
Payroll Liabilities	428,336	
Accrued Vacation Benefits	6,689	
Bonds Payable		
Due within one year	371,400	
Due in more than one year	10,527,263	
Net OPEB Obligation - OEGB	174,680	
Net Pension Liability	2,754,018	
<b>Total Liabilities</b>		<b>14,282,335</b>
<b><u>DEFERRED INFLOW OF RESOURCES</u></b>		
Pension Related Deferrals	565,693	
OPEB Related Deferrals - RHIA	5,236	
<b>Total Deferred Inflow of Resources</b>		<b>570,929</b>
<b><u>NET POSITION:</u></b>		
Net Investment in Capital Assets	2,811,687	
Unrestricted	(1,280,725)	
<b>Total Net Position</b>		<b>\$ 1,530,962</b>

The accompanying notes to the basic financial statements are an integral part of this statement.

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **STATEMENT OF ACTIVITIES**

**For the Fiscal Year Ended June 30, 2018**

		<b>Program Revenues</b>			<b>Net (Expense) Revenue and Change in Net Position</b>
	<b>(Expenses)</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>					
Instruction	\$ 5,367,395	\$ 129,370	\$ 752,927	\$ -	\$ (4,485,098)
Support Services	4,026,472	-	320,329	886,343	(2,819,800)
Enterprise and Community Services	428,090	4,389	392,105	-	(31,596)
Interest on Long-Term Debt	576,752	-	-	-	(576,752)
<b>Total Governmental Activities</b>	<b>\$ 10,398,708</b>	<b>\$ 133,758</b>	<b>\$ 1,465,361</b>	<b>\$ 886,343</b>	<b>\$ (7,913,246)</b>

### **GENERAL REVENUES:**

#### Local Sources:

Property Taxes, Levied for General Purposes	\$ 1,924,031
Property Taxes, Levied for Debt Service	585,353
Earnings on Investments	57,380
Unrestricted State and Local Revenue	127,744
Intermediate Sources	16,906
State School Fund for Education and Support Services	5,223,524
State Common School Fund	63,620
Federal Forest Fees for General Purposes	150,367
<b>Subtotal - General Revenues</b>	<b>8,148,924</b>
Excess (deficiency) of rev. over exp. before special items	235,678
Change in Net Position	235,678
Net Position, July 1, 2017 - Restated	1,295,284
<b>Net Position, June 30, 2018</b>	<b>\$ 1,530,962</b>

The accompanying notes to the basic financial statements are an integral part of this statement.

**BASIC FINANCIAL**  
**STATEMENTS**

**Fund Financial Statements**

**REEDSPORT SCHOOL DISTRICT NO. 105****BALANCE SHEET  
GOVERNMENTAL FUNDS****June 30, 2018**

	<b>General Fund #100</b>	<b>Special Revenue Fund #200</b>	<b>PERS Bond Fund #315</b>	<b>Charter School #700</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS:</u></b>						
Cash and Cash Equivalents	\$ 1,361,902	\$ 604,289	\$ 413,779	\$ (43,443)	\$ (20,374)	\$ 2,316,153
Property Taxes Receivable	188,654	-	-	-	59,732	248,386
Accounts Receivable	31,810	435,482	-	-	410,315	877,607
Prepaid Expenses	28,647	-	-	43,443	-	72,090
Inventory-Food, Supplies & Commodities	-	6,427	-	-	-	6,427
Other Current Assets	1,538	-	-	-	-	1,538
<b>Total Assets</b>	<b>\$ 1,612,551</b>	<b>\$ 1,046,198</b>	<b>\$ 413,779</b>	<b>\$ -</b>	<b>\$ 449,673</b>	<b>\$ 3,522,201</b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</u></b>						
<b>LIABILITIES:</b>						
Accounts Payable	\$ 4,911	\$ -	\$ -	\$ -	\$ -	\$ 4,911
Payroll Liabilities	428,336	-	-	-	-	428,336
<b>Total Liabilities</b>	<b>433,247</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>433,247</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable Revenue - Property Taxes	160,618	-	-	-	50,958	211,576
<b>Total Deferred Inflows of Resources</b>	<b>160,618</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,958</b>	<b>211,576</b>
<b>FUND BALANCES:</b>						
Unspendable	-	6,427	-	-	-	6,427
Restricted for:						
Debt Service	-	-	413,779	-	8,774	422,553
Committed for:						
Capital Construction & Building Maintenance	-	-	-	-	389,941	389,941
Special Programs	-	1,039,773	-	-	-	1,039,773
Unassigned	1,018,686	-	-	-	-	1,018,686
<b>Total Fund Balances</b>	<b>1,018,686</b>	<b>1,046,200</b>	<b>413,779</b>	<b>(1)</b>	<b>398,715</b>	<b>2,877,379</b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>	<b>\$ 1,612,551</b>	<b>\$ 1,046,200</b>	<b>\$ 413,779</b>	<b>\$ (1)</b>	<b>\$ 449,673</b>	<b>\$ 3,522,202</b>

The accompanying notes to the basic financial statements are an integral part of this statement.

# **REEDSPORT SCHOOL DISTRICT NO. 105**

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

**June 30, 2018**

<b>Total Fund Balances - Governmental Funds</b>		<b>\$ 2,877,380</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Cost of assets	\$ 21,660,545	
Accumulated depreciation	(10,238,858)	
Net Value of Assets		11,421,687
Property taxes receivable that will not be available to pay for current-period expenditures are deferred in the governmental funds.		
		211,576
Deferred inflows and outflows of pension and OPEB contributions and earnings are not reported in the governmental funds.		
Deferred Pension/OPEB Contributions	1,429,030	
Deferred Earnings on Pension/OPEB Assets	(570,929)	
Net Value of Deferrals		858,101
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Those liabilities consist of :		
Accrued Interest Payable	15,038	
Bonds Payable	10,898,663	
Net Pension Liability	2,754,018	
Net OPEB Obligations	163,374	
Accrued Vacation Benefits	6,689	
Total Liabilities		(13,837,782)
<b>Net Position of Governmental Activities</b>		<b>\$ 1,530,962</b>

The accompanying notes to the basic financial statements are an integral part of this statement.



**REEDSPORT SCHOOL DISTRICT NO. 105****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS****For the Fiscal Year Ended June 30, 2018**

	<b>General Fund #100</b>	<b>Special Revenue Fund #200</b>	<b>PERS Bond Fund #315</b>	<b>Charter School #700</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES:</u></b>						
Local Sources	\$ 2,813,230	\$ 116,849	\$ 404,803	\$ 3,727	\$ 697,342	\$ 4,035,951
Intermediate Sources	16,905	12,000	-	3,358,262	-	3,387,167
State Sources	5,298,404	199,750	-	14,234	886,343	6,398,731
Federal Sources	150,367	1,209,429	-	-	-	1,359,796
<b>Total Revenues</b>	<b>8,278,906</b>	<b>1,538,028</b>	<b>404,803</b>	<b>3,376,223</b>	<b>1,583,685</b>	<b>15,181,645</b>
<b><u>EXPENDITURES:</u></b>						
Current:						
Instruction	6,204,534	794,636	-	1,745,680	3,729	8,748,579
Support Services	1,987,479	365,335	-	1,630,543	119,694	4,103,051
Enterprise and Community Services	-	433,199	-	-	-	433,199
Enterprise and Community Services	-	13,996	-	-	-	13,996
Facilities Acquisition and Construction	-	-	-	-	749,632	749,632
Debt Service	301,060	-	269,421	-	647,021	1,217,502
<b>Total Expenditures</b>	<b>8,493,073</b>	<b>1,607,166</b>	<b>269,421</b>	<b>3,376,223</b>	<b>1,520,076</b>	<b>15,265,959</b>
Excess (Deficiency) of Revenues Over Expenditures	(214,167)	(69,138)	135,382	-	63,609	(84,314)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>						
Interfund Transfers In	-	125,722	-	-	100,000	225,722
Interfund Transfers Out	(225,722)	-	-	-	-	(225,722)
Long Term Debt Financing Sources	300,000	-	-	-	-	300,000
<b>Net Change in Fund Balances</b>	<b>(139,889)</b>	<b>56,584</b>	<b>135,382</b>	<b>-</b>	<b>163,609</b>	<b>215,686</b>
Beginning Fund Balance	1,158,575	989,616	278,397	-	235,106	2,661,694
<b>Ending Fund Balance</b>	<b>\$ 1,018,686</b>	<b>\$ 1,046,200</b>	<b>\$ 413,779</b>	<b>\$ -</b>	<b>\$ 398,715</b>	<b>\$ 2,877,380</b>

The accompanying notes to the basic financial statements are an integral part of this statement.

## **REEDSPORT SCHOOL DISTRICT NO. 105**

### **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2018**

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**Net Changes in Fund Balances - Total Governmental Funds** \$ 215,686

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 749,632	
Less current year depreciation	<u>(345,281)</u>	
		404,351

Some property tax revenues will not be collected for several months after the District's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue.

Deferred revenues increased by this amount this year.	(71,055)
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Repayment of principal on long term debt and leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Retirement of principal is as follows:

Bonds	<u>340,045</u>	
		340,045

Government funds report pension contributions as expenditures. However, in the Statement of Activities, pension expense and changes in deferred inflows and outflows related to the net pension asset/(liability) are recorded based upon an actuarial valuation of such activity.

This is the net change in pension related items.	(701,346)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

The activities consist of:

Net increase/(decrease) in accrued interest expense	705	
Increase/(decrease) in accrued OPEB	20,512	
Increase/(decrease) in accrued vacation benefits	<u>\$ 26,780</u>	
		<u>47,997</u>

<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 235,678</u></b>
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The accompanying notes to the basic financial statements are an integral part of this statement.

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **STATEMENT OF FIDUCIARY NET POSITION**

**at June 30, 2018**

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	<b>Private- Purpose Trusts</b>
<b><u>ASSETS:</u></b>	
Cash and Cash Equivalents	\$ 153,363
<b>Total Assets</b>	<b>\$ 153,363</b>
<b><u>NET POSITION:</u></b>	
Reserved for Scholarships and Grants	\$ 153,363
<b>Total Net Position</b>	<b>\$ 153,363</b>

The accompanying notes to the basic financial statements are an integral part of this statement.

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**For the Fiscal Year Ended June 30, 2018**

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	<b>Private- Purpose Trusts</b>
<b><u>ADDITIONS:</u></b>	
Interest Earned	\$ 272
Contributions and Donations	17,648
<b><u>DEDUCTIONS:</u></b>	
Supplies and Materials	(318)
Change in Net Position	17,602
Net Position, July 1, 2017 - Restated	135,761
<b>Net Position, June 30, 2018</b>	<b>\$ 153,363</b>

The accompanying notes to the basic financial statements are an integral part of this statement.

**BASIC FINANCIAL**  
**STATEMENTS**

**Notes to the Basic**  
**Financial Statements**

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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Reedsport School District No. 105 was organized under the provisions of Oregon Statutes pursuant to ORS Chapter 332 for the purpose of operating elementary and secondary schools. The District is governed by a separately elected five-member Board of Directors who approve the administrative officials. The daily functioning of the District is under the supervision of the Superintendent. As required by generally accepted accounting principles, all activities of the District have been included in the basic financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The basic financial statements of Reedsport School District No. 105 have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

In determining the financial reporting entity, Reedsport School District No. 105 complies with Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity." The criteria for including organizations as component units within the District's reporting entity, include whether 1) the District appoints a voting majority of the organization's board; 2) the District is able to impose its will on the organization; 3) the organization has the potential to impose a financial benefit or burden on the District; and 4) there is fiscal dependency by the organization on the District.

Based on the fiscal dependency criteria above, Reedsport School District No. 105 has included The Reedsport Community Charter School as a component unit.

*Blended Component Unit.* The Reedsport Community Charter School, a 501(c)(3) corporation, was incorporated as a non-profit corporation under ORS Chapter 338 and began operations in February 2010. The Charter School was formed for the purpose of creating a community-based, technology infused, problem-solving curriculum for students in grades seven through twelve and living within the Reedsport School District. Support comes from the State of Oregon, through the Reedsport School District. The School is governed by a nine-member board that is appointed by the District Board.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District with most of the interfund activities removed to minimize the double counting of internal activities. Governmental activities include programs supported primarily by taxes, state school support payments, grants and other intergovernmental revenues. The District has no business type activities that rely, to a significant extent, on fees and charges for support. The District also reports no fiduciary activities.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

B. Basis of Presentation (Cont.)

*Fund Financial Statements:* During the fiscal year, the District segregates transactions related to school district functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds.

The fund financial statements provide reports on the financial condition and results of operations for governmental activities. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund - The General Fund is the main operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General Fund expenditures are categorized by "Instruction" which is the direct teaching of students or the interaction between teacher and students. "Support Services" covers all the support activities for students, teachers, and facilities. Major activities in support services are transportation, maintenance of facilities (i.e. heating, phones, electricity, cleaning,) administration, counseling for students, and technology support.

Special Revenue Fund - The Special Revenue Fund accounts for and reports revenue sources that are legally restricted to expenditure for specific purposes, as well as revenues received, and expenditures made for athletics, professional growth, food service, scholarships and student activities. Federal grants, fees, charges for service, transfers and interest earnings are the major sources of revenue.

Charter School Fund - This fund accounts for and reports the District's component unit Charter School. Activities include those related to the education of students in grades 7 through 12. Primary resources are Federal grants and State support.

Debt Service Fund - This fund accounts for and reports the payment of principal and interest on general obligation debt. Principal revenue sources are charges to other funds, property taxes and interest.

Capital Projects Fund - The Capital Projects Fund accounts for and reports the acquisition of capital assets or construction of major capital projects not being financed by the General Fund. The major sources of revenue are proceeds from the sale of bonds, capital assets and interest earnings.

Fiduciary Fund - The private-purpose trust fund is used to account for and report unemployment benefits and for donations provided to the District that are permanently restricted for student scholarships. The District operates this fund in a trustee capacity. Funds of this type are accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the financial records and reported on the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

C. Measurement Focus/Basis of Accounting (Cont.)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized when the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are reported when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received, as they are deemed immaterial. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when the revenue recognition is met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

D. Budgeting

The District budgets all funds as required by state law. The District budgets for all funds on a modified accrual basis. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total expenditures are controlled by annual appropriations at the following organizational levels: instruction, support services, community services, facilities acquisition and construction, and other expenditures. Appropriations lapse as of the fiscal year-end. A detailed budget document is required that contains more detailed information for the above-mentioned expenditure categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the District Board of Directors. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of control. Such transfers require approval by the District Board of Directors.

E. Cash and Investments

Cash and cash equivalents include cash on hand, checking, savings and money market accounts and any short-term, highly liquid investments with initial maturity dates of three months or less.

The District has adopted an investment policy requiring compliance with Oregon statutes, which authorizes the District to invest in obligations of the United States, the agencies and instrumentalities of the United States and the State of Oregon, and numerous other investment instruments.



**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

E. Cash and Investments (Cont.)

The District's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The District's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended, non-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short Term Fund (OSTF) which was established by the State Treasurer. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

F. Receivables

Amounts due from individuals, organizations or other governmental units are recorded as receivables at year-end. These amounts include charges for services rendered, or for goods and material provided by the District. All receivables are expected to be collected. Accordingly, receivables are reported at the gross amount without an allowance for uncollectible accounts.

Receivables are also recognized for property taxes and intergovernmental grants. Property taxes receivable consist of uncollected taxes levied and payable at the end of the fiscal year. All taxes are considered collectible. Consequently, no allowance for uncollectible taxes has been established. In the governmental fund financial statements, property taxes not collected within sixty days of the end of the fiscal year are reported as a deferred inflow or resources. (See note J.)

Intergovernmental grant reimbursement and entitlement amounts for which all eligibility requirements imposed by the provider have been met, but which were not received by the fiscal year end, are reported as due from other governments.

G. Inventory

Food & supplies inventories in the Food Service Fund are valued at cost determined on the FIFO method. Commodities inventory in the Food Service Fund is valued at estimated fair market value. Inventory is treated as being expended when used rather than when purchased. Inventories of non-food service supplies are not considered significant. The District records the cost of non-food service supplies as expenses and expenditures when purchased rather than when used.

H. Capital Assets

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost, or estimated cost when original cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. Maintenance and repairs of capital assets are not capitalized, but rather are charged to expenditures in the governmental funds. The District does not possess any infrastructure. The capitalization threshold used by the District as recommended by the State of Oregon is \$5,000.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

H. Capital Assets (Cont.)

In the government-wide financial statements, all reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

<u>Asset Class</u>	<u>Estimated Years of Useful Lives</u>
Buildings	20-50
Building Improvements	20-50
Land Improvements	15-25
Vehicles	10
Equipment	5-10

In the governmental fund financial statements, fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized, and related depreciation is not reported in the fund financial statements.

I. Compensated Absences and Accrued Liabilities

The liability for accrued vacation benefits reported in the government-wide statements consists of unpaid, accumulated annual vacation. The early retirement liability has been calculated using the accrual method for benefit amounts due to former employees who currently are receiving early-termination benefits. Early retirement benefits are available to a limited number of employees each year.

All payables and accrued liabilities are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full by current financial resources are reported as obligations of the funds.

J. Deferred Inflows/Outflows of Resources

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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has only one item that qualifies for reporting in this category, deferred pension contributions.

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, deferred earnings on pension assets. In the governmental funds balance sheet, a different category of deferred inflow of resources, delinquent property tax revenue not available, is reported. Property taxes levied and considered receivable at the end of the fiscal year, but not collected within sixty days of the end of the fiscal year are reported in this category. These amounts are recognized as an inflow of resources (revenue) in the period that the amounts become available.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

K. Long-Term Obligations

All bonds, notes and capital leases payable are recognized in the government-wide financial statements as liabilities of the District. Amounts of the long-term debt due within the following fiscal year are included in the current liabilities section of the Statement of Net Position.

In the governmental fund financial statements, proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources. Principal and interest payments on long-term debt are recorded as debt service in the expenditure section of the statement and schedules.

L. Equity Classifications

*Government-wide Statements*

Equity is classified as net position, which represents the difference between assets, liabilities, and deferred accounts. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

*Fund Financial Statements*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Unspendable: This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The District did not have any unspendable resources as of June 30, 2018.
- Restricted: This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District has restricted funds for various projects that are to be used for educational purposes.
- Committed: This classification includes fund balance amounts that are constrained for specific purpose that are internally imposed by the government through resolution of the highest level of decision-making authority, the Board of Directors, and does not lapse at year-end. The District did have committed resources as of June 30, 2018.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

L. Equity Classifications (Cont.)

- Assigned: This classification includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to selected staff members or through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. For fiscal year 2017-18, the District had no assigned fund balances.
- Unassigned: This classification includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances of other governmental funds.

The District's policy is to use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of the constrained fund balances.

M. Property Taxes

Real and personal property taxes attach as an enforceable lien on property as of January 1. All taxes are levied as of the lien date and are payable in three installments on November 15, February 15, and May 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

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

N. Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues or expenditures, while reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

O. 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 the reported amount of assets and liabilities as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

P. 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 Fund (OPERF) and the Oregon Public Service Retirement Plan (OPSRP) and additions to/deductions from OPERF's and OPSRP's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**CASH AND INVESTMENTS:**

For discussion of deposit and investment policies and other related information, see Note E.

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized at Note E.

Investments, including amounts held in pool cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market prices, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

Deposits - All cash is deposited in compliance with Oregon statutes. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's website. Qualifying depository banks must pledge securities with a particular value based on the bank's level of capitalization. The balances in excess of the FDIC insurance are considered exposed to custodial credit risk.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits exists when, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

As of June 30, 2018, the reported amounts of the District's deposits were \$860,237 and the bank balance was \$1,374,799. Of the bank balance, the entire amount was covered by federal depository insurance or by pledged securities with the qualifying depository banks.

Investments - Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, banker's 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 Governmental Investment Pool. The District has no credit risk policy or investment policy that would further limit its investment choices

Credit Risk - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. As of June 30, 2018, the District's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2018, the District's investments in financial institutions were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Oregon State Treasurer's Local Government Investment Pool (LGIP)	<u>\$ 1,455,916</u>	N/A
Total Investments	<u><u>\$ 1,455,916</u></u>	

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

**CASH AND INVESTMENTS (Cont.):**

Investments in the LGIP and federal agency notes do not require disclosure credit rating quality.

Concentration of Credit Risk - An increased risk of loss occurs as more investments are acquired from one issuer. This results in a concentration of credit risk. The District places no limit on the amount that may be invested in any one issuer. More than 5 percent of the District's investments are in the Oregon State Treasurer's Local Government Investment Pool (LGIP). This investment is 100% of the District's total investments.

**CAPITAL ASSETS:**

The following is a summary of capital asset activity for the fiscal year ended June 30, 2018:

Depreciable Assets Schedule				
For the Year 2018				
Governmental Activities	Beginning Balances	Additions	Deletions	Ending Balances
<b>Assets not being depreciated:</b>				
Land	\$ 622,451	\$ -	\$ -	\$ 622,451
Construction in Progress	-	749,632	-	749,632
Total	\$ 622,451	\$ 749,632	\$ -	\$ 1,372,083
<b>Assets being depreciated:</b>				
Land Improvement	\$ 120,535	\$ -	\$ -	\$ 120,535
Building and Building Improvement	17,136,868	-	-	17,136,868
Machinery and Equipment	3,031,059	-	-	3,031,059
Total Depreciable Assets	\$ 20,288,462	\$ -	\$ -	\$ 20,288,462
<b>Less: Accumulated Depreciation</b>				
Land Improvement	\$ 57,254	\$ 6,027	\$ -	\$ 63,281
Building and Building Improvement	7,063,601	313,709	-	7,377,310
Machinery and Equipment	2,772,722	25,546	-	2,798,268
Total Accumulated Depreciation	\$ 9,893,577	\$ 345,281	\$ -	\$ 10,238,859
Net Value of Capital Assets Being Depreciated	\$ 10,394,885	\$ (345,281)	\$ -	\$ 10,049,603
Total Governmental Activities -- Net Value of Capital Assets	\$ 11,017,336	\$ 404,351	\$ -	\$ 11,421,686
<b>Depreciation expense was charged to governmental functions as follows:</b>				
Instruction	\$ 298,594			
Support Services	41,998			
Enterprise and Community Services	4,690			
Total Depreciation Expense	\$ 345,281			

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

**LONG-TERM DEBT:**

Reedsport School District General Obligation Bond Series A & B. On March 6, 2008, the District issued \$10,300,000 General Obligation Bonds Series A (\$9,760,000 tax exempt) and Series B (\$540,000 taxable) bearing interest rates ranging from 3.125 % to 5.0%. The bonds are payable in semi-annual interest installments and an annual principal retirement. Interest payments are due December 15 and June 15 of each year. Principal Payments are due June 15 of each year. The purpose of the bonds is for major capital improvements of District's facilities

During the year ended June 30, 2003, the District issued \$2,908,726 Limited Tax Pension Bonds Series 2002 (Federally Taxable). The bonds are limited tax obligation debt and were issued October 2002. The bonds are payable annually through June 2028. The bonds consist of \$743,726 Serial Maturities, with interest accrued semiannually at yields ranging from 2.06% to 6.1% through June 2020, and \$2,1654,000 Term Bonds maturing from June 2021 through June 2008, with interest accrued semiannually at interest rates ranging from 4.48% 5.55%. These bonds were issued for the purpose of controlling the District's cost with respect to the PERS unfunded actuarial liabilities. The Serial Bonds are subject to optional redemption, as a whole or in part, on any date at a redemption price equal to the greater of the called principal plus accrued interest, or the discounted value plus accrued interest on the bond.

	Outstanding Balance July 1, 2017	Principal Paid	Interest Paid	Outstanding Balance June 30, 2018	Due Within One Year
<b>Bonds Payable:</b>					
Reedsport School District General Obligation Bond Series A & B	\$ 8,890,000	\$ 280,000	\$ 367,063	\$ 8,610,000	\$ 310,000
Reedsport School District Limited Tax Pension Bond, Series 2002	2,348,708	60,045	209,711	2,288,663	61,400
<b>Total Bonds Payable</b>	<u>\$ 11,238,708</u>	<u>\$ 340,045</u>	<u>\$ 576,774</u>	<u>\$ 10,898,663</u>	<u>\$ 371,400</u>
<b>Total Long-Term Debt</b>	<u>\$ 11,238,708</u>	<u>\$ 340,045</u>	<u>\$ 576,774</u>	<u>\$ 10,898,663</u>	<u>\$ 371,400</u>

The future debt service requirements on the above debt are as follows:

<b>Bonds Payable:</b>	Due Fiscal Year Ending June 30,	Principal	Interest	Total
	2019	\$ 371,400	\$ 578,519	\$ 949,919
	2020	402,264	579,867	982,131
	2021	565,000	448,106	1,013,106
	2022	625,000	422,119	1,047,119
	2023	690,000	393,356	1,083,356
	2024 - 2028	4,280,000	1,421,531	5,701,531
	2029 - 2033	3,965,000	512,325	4,477,325
<b>Total</b>		<u>\$ 10,898,664</u>	<u>\$ 4,355,823</u>	<u>\$ 15,254,487</u>

For further detail on debt service, see the 'Schedule of Long-Term Debt Transactions' and 'Schedule of Future Requirements for Retirement of Long Term' in the Supplemental Data section of this report.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**OPERATING LEASE:**

Operating Leases: The District entered into an agreement to lease eight copiers under a lease-purchase agreement. The copiers were included in the District's capital assets. The lease agreement was for a term of five years maturing October 2022, at an interest rate of 3.89%. The lease equipment had a cost of \$77,229. On November 1, 2016 the vendor offered the District a new operating lease in exchange for return of the machines. At the date of return, October 31, accumulated depreciation was \$39,013 and the net book value was \$38,216. Return of the machines resulted in a loss on disposition of \$38,216. Lease payments for the year ending June 30, 2018 totaled \$19,205 and were made from the General Fund.

Future requirements at June 30, 2018 are:

<u>Year Ending June 30th</u>	
2019	19,205
2020	19,205
2021	19,205
2022	<u>6,402</u>
Present value of minimum lease payments	<u><u>\$ 64,017</u></u>



**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**PENSION PLAN:**

Name of Pension Plan

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

Description of Benefit Terms

Plan Benefits

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

**1. Tier One/Tier Two Retirement Benefit (Chapter 238).** Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

*Pension Benefits*

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 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.

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

*Death Benefits*

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

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

*Disability Benefits*

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

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**PENSION PLAN (Cont.):**

*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. Under current law, the cap on the COLA in fiscal year 2018 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

**2. OPSRP Defined Benefit Pension Program (OPSRP DB).** The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

*Pension Benefits*

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

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

*Death Benefits*

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

*Disability Benefits*

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

*Benefit Changes After Retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2018 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

**3. IAP Plan Description:**

**OPSRP Individual Account Program (OPSRP IAP)**

*Pension Benefits*

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP Individual Account Program (IAP)

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**PENSION PLAN (Cont.):**

may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

*Death Benefits*

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

*Recordkeeping*

PERS contracts with VOYA Financial to maintain IAP participant records.

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. The rates based on a percentage of payroll, first became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2018 were \$447,523, excluding amounts to fund employer specific liabilities.

Pension Plan CAFR

Oregon PERS produces an independently audited CAFR which can be found at:  
[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx)

Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**PENSION PLAN (Cont.):**

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study	2014, published September 23, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.50 percent
Long-term expected rate of return	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of 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 based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

**PENSION PLAN (Cont.):**

*Depletion Date Projection*

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

*Assumed Asset Allocation*

<u>Asset Class/Strategy</u>	<u>OIC Policy Range</u>	<u>OIC Target Allocation</u>	<u>Asset Class/Strategy</u>	<u>Actual Allocation</u>
Cash	0.0% - 3.0%	0.0%	Cash	3.9%
Debt Securities	15.0% - 25.0%	20.0%	Debt Securities	20.7%
Public Equity	32.5% - 42.5%	37.5%	Public Equity	37.9%
Real estate	9.5% - 15.5%	12.5%	Real estate	12.0%
Private Equity	13.5% - 21.5%	17.5%	Private Equity	19.5%
Alternative Equity	0.0% - 12.5%	12.5%	Alternative Equity	4.1%
Opportunity Portfolio	0.0% - 3.0%	0.0%	Opportunity Portfolio	1.9%
Total		100%	Total	100%

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

**PENSION PLAN (Cont.):**

*Long-Term Expected Rate of Return*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. 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. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below.

Asset Class	Target Allocation	Annual Arithmetic Mean	20-Year Annualized Geometric Mean	Annual Standard Deviation
Core Fixed Income	8.00%	3.59%	3.49%	4.55%
Short-Term Bonds	8.00%	3.42%	3.38%	2.70%
Bank/Leveraged Loans	3.00%	5.34%	5.09%	7.50%
High Yield Bonds	1.00%	6.90%	6.45%	10.00%
Large/Mid Cap US Equities	15.75%	7.45%	6.30%	16.25%
Small Cap US Equities	1.31%	8.49%	6.69%	20.55%
Micro Cap US Equities	1.31%	9.01%	6.80%	22.90%
Developed Foreign Equities	13.13%	8.21%	6.71%	18.70%
Emerging Foreign Equities	4.13%	10.53%	7.45%	27.35%
Non-US Small Cap Equities	1.88%	8.67%	7.01%	19.75%
Private Equity	17.50%	11.45%	7.82%	30.00%
Real Estate (Property)	10.00%	6.15%	5.51%	12.00%
Real Estate (REITS)	2.50%	8.26%	6.37%	21.00%
Hedge Fund of Funds - Diversified	2.50%	4.36%	4.09%	7.80%
Hedge Fund - Event-driven	0.63%	6.21%	5.86%	8.90%
Timber	1.88%	6.37%	5.62%	13.00%
Farmland	1.88%	6.90%	6.15%	13.00%
Infrastructure	3.75%	7.54%	6.60%	14.65%
Commodities	1.88%	5.43%	3.84%	18.95%
Portfolio - Net of Investment Expenses	100%	7.48%	6.74%	12.97%

\* The models's 20-year annualized giometric median is 6.7%

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**PENSION PLAN (Cont.):**

Sensitivity Analysis

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

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net pension liability	\$ 4,693,349	\$ 2,754,018	\$ 1,132,378

Changes in Assumptions

A summary of key changes implemented since the December 31, 2015 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the System, which was published on September 2017, and can be found at:

<https://www.oregon.gov/pers/Documents/2016-Exp-Study.pdf>

*Changes in Actuarial Methods and Allocation Procedures*

*Allocation of Liability for Service Segments*

For purposes of allocating Tier1.Tier 2 members' actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier 1/Tier2 population. For the December 31,2014 and December 31,2015 valuations, the Money Match was weighted 25 percent for General Service members and 0 percent for Police & Fire members. For the December 31, 2016 and December 31, 2017 valuations, this weighting has been adjusted to 15 percent for General Service members and 0 percent for Police & Fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

*Changes in Economic Assumptions*

Investment Return and Interest Crediting – The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.20%. Previously, the assumed investment return and interest crediting was 7.5%.

Administrative Expenses – The administrative expense assumptions were updated to \$37.5 million per year for Tier 1/Tier 2 and \$6.5 million per year for OPSRP. Previously these were assumed to \$33.0 million per year and \$5.5 million per year, respectively.

Healthcare Cost Inflation – The healthcare cost inflation assumption for the maximum RHIPA subsidy was updated based on analysis performed by Milliman's healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2020 by the Affordable Care Act.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

**PENSION PLAN (Cont.):**

Mortality Rates

A summary of the current assumed mortality rates and recommended changes is shown below:

Assumption	December 31, 2015 Valuation	Recommended December 31, 2016 and 2017 Valuations
<b>Healthy Annuitant Mortality</b>	<b>RP-2000 Generational with Scale BB, Combined Active/Healthy Annuitant, Sex Distinct</b>	<b>RP-2014 Healthy Annuitant, Sex Distinct, Generational Projection Unisex Social Security Data Scale</b>
School District male	No collar, set back 24 months	White collar, set back 12 months
Other General Service male (and male beneficiary)	Blended 25% blue collar/75% white collar, set back 12 months	Blended 50% blue collar/50% white collar, set back 12 months
Police & Fire male	Blended 25% blue collar/75% white collar, set back 12 months	Blended 50% blue collar/50% white collar, set back 12 months
School District female	No collar, set back 24 months	White collar, set back 12 months
Other female (and female beneficiary)	Blended 25% blue collar/75% white collar, no set back	Blended 50% blue collar/50% white collar, no set back
<b>Disabled Retiree Mortality</b>	<b>RP-2000 Generational with Scale BB, Disabled, No Collar, Sex distinct</b>	<b>RP-2014 Disabled Retiree, Sex Distinct, Generational Projection with Unisex Social Security Data Scale</b>
Male	70% of Disabled table, but not less than corresponding healthy annuitant rates	No collar adjustment, no set back
Female	95% of Disabled table, but not less than corresponding healthy annuitant rates	No collar adjustment, no set back
<b>Non-Annuitant Mortality</b>	<b>Fixed Percentage of Healthy Annuitant Mortality</b>	<b>RP-2014 Employee, Sex Distinct, Generational Projection with Unisex Social Security Data Scale</b>
School District male	60%	Same collar and set back as Healthy Annuitant assumption
Other General Service male	75%	Same collar and set back as Healthy Annuitant assumption
Police & Fire male	75%	Same collar and set back as Healthy Annuitant assumption
School District female	55%	Same collar and set back as Healthy Annuitant assumption
Other female	60%	Same collar and set back as Healthy Annuitant assumption



**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**PENSION PLAN (Cont.):**

Changes Subsequent to the Measurement Date

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

Deferred Items

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the measurement period ending June 30, 2017, employers will report the following deferred items:

- A difference between expected and actual experience, which is being amortized over 5.4 years, the remaining service lives of all plan participants, including retirees. One year of this amortization is included in the employer's total pension expense for the measurement period.
- Changes in employer proportion since the prior measurement date, which is being amortized over 5.4 years, the remaining service lives of all plan participants, including retirees. One year of this amortization is included in the employer's total pension expense for the measurement period.
- A Net difference between projected and actual earnings which is being amortized over a closed five year period. One year's amortization is being recognized in the employer's total pension expense for the measurement period.

I. Employer Contributions

PERS includes accrued contributions when due pursuant to legal requirements, as of June 30 in its Statement of Changes in Fiduciary Net Position. These are normally included in the employer statements cut off as of the fifth of the following month. PERS does not try to accrue contributions based on paydate.

Beginning with fiscal year 2016, PERS will be able to report cash contributions and UAL side account amortization by employer, and will publish this information on the PERS Website. Prior to fiscal year 2016, contributions to the OPSRP Defined Benefit plan were not accounted for by employer, as all employers were pooled for actuarial purposes.

J. Elements of Changes in Net Position

This information can be found in the Schedule of Changes in Net Pension Liability found on page 71, of the June 30, 2017 PERS CAFR.

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

At June 30, 2018, the employer reported a liability of \$2,754,018 for its proportionate share of the net pension liability. The net pension liability/(asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on a projection of the employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

**PENSION PLAN (Cont.):**

At June 30, 2017, the employer's proportion was 0.02043034 percent.

For the year ended June 30, 2018, the employer recognized pension expense of \$528,152. At June 30, 2018, the employer 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	\$ 133,185	\$ -
Changes of assumptions	502,008	-
Net difference between projected and actual earnings on investments	28,373	-
Changes in proportionate share	276,348	346,216
Differences between employer contributions and employer's proportionate share of system contributions	27,151	219,477
Total Deferred Outflows/Inflows	\$ 967,065	\$ 565,693
Post-measurement date contributions	447,523	N/A
Total Deferred Outflow/(Inflow) of Resources	<u>\$ 1,414,588</u>	<u>\$ 565,693</u>
Net Deferred Outflow/(Inflow) of Resources prior to post-measurement date contributions		<u>401,372</u>

\$401,372 reported as deferred outflows of resources related to pensions resulting from employer 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 pension expense/(income) as follows:

Employer subsequent fiscal years	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
1st Fiscal Year	\$ 65,184
2nd Fiscal Year	290,894
3rd Fiscal Year	198,456
4th Fiscal Year	(132,113)
5th Fiscal Year	(21,049)
Thereafter	-
Total	<u>\$ 401,373</u>

**Net Pension Liability**

Net pension liabilities are calculated at the system-wide level and are allocated to employers based on their proportionate share. UAL Side Accounts are included as assets in this calculation. The rate setting actuarial valuation will continue to allocate the UAL Side Account, transitional or pre-SLGRP liabilities or surpluses as adjustments to the respective employers.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**OTHER POST-EMPLOYMENT BENEFITS (OPEB) RHIA:**

***Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA)***

**Plan Description**

The District contributes to the Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Oregon Public Employees Retirement Board (OPERB). The plan, which was established under Oregon Revised Statutes 238.420, provides a payment of up to \$60 per month towards the costs of health insurance for eligible PERS retirees. RHIA post-employment benefits are set by state statute. The plan was closed to new entrants 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 (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

A comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at <http://oregon.gov/PERS/>.

**Funding Policy**

Participating employers are contractually required to contribute at a rate assessed bi-annually by the OPERB, currently 0.50% of annual covered PERS payroll and 0.43% for OPSRP payroll. The OPERB sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

**Contributions**

The District's contributions to PERS' RHIA for the years ended June 30, 2018 and 2017 were \$14,433 and \$16,656 respectively which equaled the required contributions for the year.

**Actuarial Methods and Assumptions Used in Developing Total Pension Liability**

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS Retirement Health Insurance Account Cost Sharing Multiple Employer Other Postemployment Benefit (OPEB) Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the Year Ended June 30, 2017. That independently audited report was dated April 11, 2018 and can be found at:

[http://www.oregon.gov/pers/EMP/Documents/GASB/2018/GASB\\_75\\_06.30.2017.pdf](http://www.oregon.gov/pers/EMP/Documents/GASB/2018/GASB_75_06.30.2017.pdf)

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**OTHER POST-EMPLOYMENT BENEFITS (OPEB) RHIA (Cont.):**

<b>Actuarial Methods and Assumptions - OPEB Plans - RHIA</b>	
	<b>June 30, 2017</b>
Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study	2014, published September 23, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.50 percent
Long-term expected rate of return	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 percent
Retiree healthcare participation	Healthy retirees: 38%; Disabled retirees: 20%
Healthcare cost trend rate	Not applicable
Mortality	<p>Healthy retirees and beneficiaries:  RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members:  Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees:  Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

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

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**OTHER POST-EMPLOYMENT BENEFITS (OPEB) RHIA (Cont.):**

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from 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 plan 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. Milliman's assumptions for each of the asset classes in which the plan was invested at that time are based on the OIC long term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major class, calculated using both arithmetic and geometric means, see Pension Plan note disclosure above or the PERS' audited financial statements at:

[http://www.oregon.gov/pers/docs/financial\\_reports/2017\\_cafr.pdf](http://www.oregon.gov/pers/docs/financial_reports/2017_cafr.pdf)

Sensitivity Analysis

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

	1% Decrease	Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Employer's proportionate share of the net OPEB liability	\$ 1,576	\$ (11,306)	\$ (22,263)

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**OTHER POST-EMPLOYMENT BENEFITS (OPEB) RHIA (Cont.):**

**OPEB Liabilities/(Assets), OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB**

At June 30, 2018, the District reported a net OPEB liability/(asset) of \$(11,306) for its proportionate share of the net OPEB liability/(asset). The OPEB liability/(asset) was measured as of June 30, 2017, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2015. Consistent with GASB Statement No. 75, paragraph 59(a), The District's proportion of the net OPEB liability/(asset) 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. As of the measurement date of June 30, 2017, the District's proportion was 0.0270905 percent. OPEB expense/(income) for the year ended June 30, 2018 was \$65.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	5,236
Changes in proportionate share	9	-
Differences between employer contributions and employer's proportionate share of system contributions	-	-
Total Deferred Outflows/Inflows	<u>\$ 9</u>	<u>\$ 5,236</u>
Post-measurement date contributions	14,433	N/A
Total Deferred Outflow/(Inflow) of Resources	<u>\$ 14,442</u>	<u>\$ 5,236</u>
Net Deferred Outflow/(Inflow) of Resources prior to post-measurement date contributions		<u>(5,227)</u>

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**OTHER POST-EMPLOYMENT BENEFITS (OPEB) RHIA (Cont.):**

\$5,277 reported as deferred inflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB 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 pension expense/(income) as follows:

<u>Employer subsequent fiscal years</u>	<u>Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)</u>
1st Fiscal Year	\$ (1,305)
2nd Fiscal Year	(1,305)
3rd Fiscal Year	(1,308)
4th Fiscal Year	(1,309)
5th Fiscal Year	-
Thereafter	-
Total	<u>\$ (5,227)</u>

**Changes Subsequent to the Measurement Date**

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

**OTHER POST-EMPLOYMENT BENEFITS (OPEB) OEGB:**

*OEGB Health Insurance Subsidy*

The OEGB net OPEB liability is reported only as an estimate for the current year financial reporting. No actuarial report was obtained for the current fiscal year. Therefore, no deferred items, sensitivity analysis or OPEB expense is reported for the current fiscal year.

**Plan Description**

The District operates a single employer retiree benefit plan through the Oregon Educators Benefit Board that provides post-employment health, dental vision and life insurance benefits to eligible employees and their spouses. The District is required by Oregon Revised Statutes 243.303 to provide retirees and their dependents with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Premiums for retirees are tiered and based upon the premium rates available to active employees. The retiree is responsible for any portion of the premiums not paid by the Employer. The implicit employer subsidy is measured as the expected health care cost per retiree and dependent, less the gross premiums charged by the insurance carrier for that coverage. The subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare. GASB Statement 75 is applicable to the District due only to this implicit rate subsidy. This "plan" is not a stand-alone plan, and therefore, does not issue its own financial statements.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

**OTHER POST-EMPLOYMENT BENEFITS (OPEB) OEGB (Cont.):**

Funding Policy

When the District has retirees participating in their health insurance plan, it will, when applicable, collect insurance premiums from all retirees each month and deposit them. The District will then pay healthcare insurance premiums for all retirees at the applicable rate for each family classification.

Actuarial Methods and Assumptions - The District engaged an actuary to perform an evaluation as of July 1, 2017 using entry age normal Actuarial Cost Method. The assumptions are generally based upon those used for valuing pension benefits under Oregon PERS, and were developed in consultation with Milliman. The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date:

<b>Discount Rate</b>	2.85%	3.58%	3.87%
<b>Other Key Actuarial Assumptions and Methods</b>			
Valuation date	July 1, 2017	July 1, 2017	July 1, 2017
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018
Inflation	2.50%	2.50%	2.50%
Salary increases	3.50%	3.50%	3.50%
Withdrawal, retirement, and mortality rates	12/31/2016 Oregon PERS valuation 50% of eligible employees	12/31/2016 Oregon PERS valuation 50% of eligible employees	12/31/2016 Oregon PERS valuation 50% of eligible employees
Election and Lapse Rates	60% of male members and 35% of females members will elect spouse coverage 5% annual lapse rate	60% of male members and 35% of females members will elect spouse coverage 5% annual lapse rate	60% of male members and 35% of females members will elect spouse coverage 5% annual lapse rate
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal

In order to apply the entry age normal actuarial cost method, Projected Benefit Payments are determined for each active employee and retiree. These Projected Benefit Payments are the net benefits estimated to be payable in all future years. The net benefits for a particular year are the difference between the total cost of benefits and the portion of the benefits paid by the retirees in that year. The Present Value of Benefits is then allocated over the service of each active employee from their date of hire to their expected retirement age, as a level percent of the employee's pay, as required under GASB 75. This level percent multiplied by expected pay is referred to as the Service Cost, and is that portion of the Present Value of Benefits attributable to an employee's service in a given year. The Service Cost equals \$0 for retirees. For purposes of projecting benefits prior to the valuation date as required by the actuarial cost method, we assumed a health cost trend equal to the ultimate health cost trend rate. The Total OPEB Liability is the portion of the Present Value of Benefits that is attributable to employee service prior to the valuation date. For retirees, the Total OPEB Liability equals the Present Value of Benefits.

*Discount Rate*

The Discount Rate is a single rate of return that is applied to the Projected Benefit Payments in order to calculate the Present Value of Benefits. Under GASB 75, for plans without assets, the discount rate is equal to a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.



**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**OTHER POST-EMPLOYMENT BENEFITS (OPEB) OEGB (Cont.):**

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant tables, White collar, sex distinct for members and dependents. For members only, a one-year setback is applied. Future mortality improvement is not projected as it would be immaterial to the valuation.

Demographic assumptions regarding retirement, mortality, and turnover are based on Oregon PERS valuation assumptions as of December 31, 2016. Election rate and lapse assumptions are based on experience implied by valuation data for this and other Oregon public employers.

**CONTINGENT LIABILITIES:**

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

The District is not currently named as a defendant in any pending or threatened litigation.

**COMMODITIES RECEIVED IN FOOD SERVICE FUND:**

During the year the District received USDA commodities. Fair market value of the number of commodities used during the current fiscal year is \$6,428. The amount is reflected as federal revenue received and as a food expenditure in the Food Service Fund in the financial statements. Fair market value is determined by the Oregon Department of Education.

**RISK MANAGEMENT:**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. The District is joined together with other school districts in the state, which are participating members of United Schools Insurance Program of Oregon, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The District has an annually renewable contract to pay United Schools Insurance Program of Oregon an annual premium for its general liability, property liability, automobile liability, boiler and machinery, comprehensive crime, and umbrella insurance coverage.

The District carries commercial insurance for all other losses, including workers' compensation and employee health and accident insurance. Premiums to the health insurance company are paid through a combination of employer contributions and payroll withholdings for eligible employees. The District came under the State Unemployment Act as of July 1, 1974. The District has elected to pay State Unemployment insurance to the State of Oregon to pay for any claims paid to former employees.

There have been no significant reductions in coverage from the prior years and settlements have not exceeded insurance coverage in the past three years.

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2018**

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**INTERFUND TRANSFERS:**

Interfund transfers for the year ended June 30, 2018 were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund #100	\$ 225,722	\$ -
Special Revenue Funds:		
Special Revenue Fund #200	-	125,722
Capital Construction/Improvement Project Fund #410	-	100,000
Total	<u>\$ 225,722</u>	<u>\$ 225,722</u>

The transfers out of the General Fund to the other funds represent the District's election to provide general fund support to the programs and activities of those funds.

**OVER-EXPENDITURE OF APPROPRIATIONS:**

Expenditures in excess of appropriation in individual funds for the year ended June 30, 2018 occurred as follows:

<u>Fund / Category</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Capital Construction/Improvement Project Fund #410 / Instruction	-	3,729	3,729

**RESTATEMENT OF BEGINNING NET POSITION:**

The 2016-17 financial statements did not include the current year PERS contribution as a deferred amount. This change resulted in a restatement of beginning net position for 2017-18 in the amount of \$(621,891).

**REQUIRED**  
**SUPPLEMENTARY**  
**INFORMATION**

**REEDSPORT SCHOOL DISTRICT NO. 105****Schedule of Revenues, Expenditures,  
and Changes in Fund Balance - Budget and Actual****General Fund****For the Fiscal Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Local Sources	\$ 2,709,374	\$ 2,709,374	\$ 2,813,230	\$ 103,856
Intermediate Sources	8,500	8,500	16,905	8,405
State Sources	5,473,249	5,473,249	5,298,404	(174,845)
Federal Sources	-	-	150,367	150,367
<b>Total Revenues</b>	<b>8,191,123</b>	<b>8,191,123</b>	<b>8,278,906</b>	<b>87,783</b>
<b><u>EXPENDITURES:</u></b>				
Instruction	6,192,714	6,342,714	6,204,534	(138,180)
Support Services	1,818,383	2,118,383	1,987,479	(130,904)
Debt Service	-	301,060	301,060	-
Contingency	300,000	300,000	-	(300,000)
<b>Total Expenditures</b>	<b>8,311,096</b>	<b>9,062,156</b>	<b>8,493,073</b>	<b>(569,083)</b>
Excess (Deficiency) of Revenues Over Expenditures	(119,973)	(871,033)	(214,167)	656,866
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Interfund Transfers Out	(230,000)	(230,000)	(225,722)	4,278
Long Term Debt Financing Sources	300,000	300,000	300,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>70,000</b>	<b>70,000</b>	<b>74,278</b>	<b>4,278</b>
Net Change in Fund Balance	(49,973)	(801,033)	(139,889)	661,144
Beginning Fund Balance	1,051,060	1,051,060	1,158,575	107,515
<b>Ending Fund Balance</b>	<b>\$ 1,001,087</b>	<b>\$ 250,027</b>	<b>\$ 1,018,686</b>	<b>\$ 768,659</b>

**REEDSPORT SCHOOL DISTRICT NO. 105****Schedule of Revenues, Expenditures,  
and Changes in Fund Balance - Budget and Actual****Special Revenue Fund****For the Fiscal Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Local Sources	\$ 588,100	\$ 588,100	\$ 116,849	\$ (471,251)
Intermediate Sources	-	-	12,000	12,000
State Sources	30,000	30,000	199,750	169,750
Federal Sources	1,211,375	1,211,375	1,209,429	(1,946)
<b>Total Revenues</b>	1,829,475	1,829,475	1,538,028	(291,447)
<b><u>EXPENDITURES:</u></b>				
Instruction	927,312	927,312	794,636	(132,676)
Support Services	415,850	415,850	365,335	(50,515)
Enterprise and Community Services	822,587	822,587	447,195	(375,392)
<b>Total Expenditures</b>	2,165,750	2,165,750	1,607,166	(558,584)
Excess (Deficiency) of Revenues Over Expenditures	(336,275)	(336,275)	(69,138)	267,137
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Interfund Transfers In	130,000	130,000	125,722	(4,278)
<b>Total Other Financing Sources (Uses)</b>	130,000	130,000	125,722	(4,278)
Net Change in Fund Balance	(206,275)	(206,275)	56,584	262,859
Beginning Fund Balance	391,275	391,275	989,616	598,341
<b>Ending Fund Balance</b>	<b>\$ 185,000</b>	<b>\$ 185,000</b>	<b>\$ 1,046,200</b>	<b>\$ 861,200</b>

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

**Charter School #700**

**For the Fiscal Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
<b><u>REVENUES:</u></b>				
Local Sources	\$ -	\$ -	\$ 3,727	\$ 3,727
Intermediate Sources	-	-	3,358,262	3,358,262
State Sources	3,463,643	3,463,643	14,234	(3,449,409)
<b>Total Revenues</b>	3,463,643	3,463,643	3,376,223	(87,420)
<b><u>EXPENDITURES:</u></b>				
Instruction	1,821,651	1,821,651	1,745,680	(75,971)
Support Services	1,641,992	1,641,992	1,630,543	(11,449)
<b>Total Expenditures</b>	3,463,643	3,463,643	3,376,223	(87,420)
<b>Ending Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

### **PERS**

#### **Last 10 Fiscal Years\***

	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.02043034%	0.02403158%	0.01734300%	0.02826700%	0.02826700%
Employer's proportionate share of the net pension liability (asset)	\$ 2,754,018	\$ 3,607,698	\$ 995,726	\$ (645,869)	\$ (640,734)
Employer's covered - employee payroll	\$ 3,918,941	\$ 2,885,816	\$ 2,535,629	\$ 2,706,135	\$ 2,522,147
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	70.27%	125.01%	39.27%	-23.87%	-25.40%
Plan fiduciary net position as a percentage of the total pension liability	83.1%	80.5%	91.9%	103.6%	103.6%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However the full 10-year trend will be presented for those years for which information is available

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **SCHEDULE OF EMPLOYER CONTRIBUTIONS**

### **PERS**

#### **Last 10 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 447,523	\$ 621,892	\$ 496,502	\$ 645,869	\$ 640,734
Contributions in relation to the contractually required contribution	<u>447,523</u>	<u>621,892</u>	<u>496,502</u>	<u>645,869</u>	<u>640,734</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered - employee payroll	\$ 3,918,941	\$ 2,885,816	\$ 2,535,629	\$ 2,706,135	\$ 2,522,147
Contributions as a percentage of covered - employee payroll	10.97%	6.08%	6.08%	23.9%	25.4%



# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

### **OPEB RHIA**

#### **Last 10 Fiscal Years\***

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	<u>2018</u>	<u>2017</u>
Employer's proportion of the net OPEB liability (asset)	0.02709050%	0.02704380%
Employer's proportionate share of the net OPEB liability (asset)	\$ (11,306)	\$ 7,344
Employer's covered - employee payroll	\$ 3,918,941	\$ 2,885,816
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered - employee payroll	-0.29%	0.25%
Plan fiduciary net position as a percentage of the total OPEB liability	108.9%	94.2%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However the full 10-year trend will be presented for those years for which information is available

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **SCHEDULE OF EMPLOYER CONTRIBUTIONS**

### **OPEB RHIA**

#### **Last 10 Fiscal Years**

	2018	2017
Contractually required contribution	\$ 14,433	\$ 16,656
Contributions in relation to the contractually required contribution	14,433	16,656
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered - employee payroll	\$ 3,918,941	\$ 2,885,816
Contributions as a percentage of covered - employee payroll	0.37%	0.58%

**OTHER**  
**SUPPLEMENTARY**  
**INFORMATION**

**OTHER**  
**SUPPLEMENTARY**  
**INFORMATION**

**Non-Major Governmental Funds**

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **COMBINING BALANCE SHEET ALL NON-MAJOR GOVERNMENTAL FUNDS -- BY FUND TYPE**

**June 30, 2018**

	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total Non- Major Governmental Funds</b>
<b><u>ASSETS:</u></b>			
Cash and Cash Equivalents	\$ -	\$ (20,374)	\$ (20,374)
Property Taxes Receivable	59,732	-	59,732
Accounts Receivable	-	410,315	410,315
<b>Total Assets</b>	<b>\$ 59,732</b>	<b>\$ 389,941</b>	<b>\$ 449,673</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable Revenue - Property Taxes	50,958	-	50,958
<b>Total Deferred Inflows of Resources</b>	<b>50,958</b>	<b>-</b>	<b>50,958</b>
<b>FUND BALANCES:</b>			
Restricted for:			
Debt Service	8,774	-	8,774
<b>Total Fund Balances</b>	<b>8,774</b>	<b>389,941</b>	<b>398,715</b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>	<b>\$ 59,732</b>	<b>\$ 389,941</b>	<b>\$ 449,673</b>

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

### **ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**

**For the Fiscal Year Ended June 30, 2018**

	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total Non- Major Governmental Funds</b>
<b><u>REVENUES:</u></b>			
Local Sources	\$ 609,887	\$ 87,455	\$ 697,342
State Sources	-	886,343	886,343
<b>Total Revenues</b>	<b>609,887</b>	<b>973,798</b>	<b>1,583,685</b>
<b><u>EXPENDITURES:</u></b>			
Current:			
Instruction	-	3,729	3,729
Support Services	-	119,694	119,694
Capital Outlay:			
Facilities Acquisition and Construction	-	749,632	749,632
Debt Service	647,021	-	647,021
<b>Total Expenditures</b>	<b>647,021</b>	<b>873,055</b>	<b>1,520,076</b>
Excess (Deficiency) of Revenues Over Expenditures	(37,134)	100,743	63,609
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Interfund Transfers In	-	100,000	100,000
<b>Net Change in Fund Balances</b>	<b>(37,134)</b>	<b>200,743</b>	<b>163,609</b>
Beginning Fund Balance	45,908	189,198	235,106
<b>Ending Fund Balance</b>	<b>\$ 8,774</b>	<b>\$ 389,941</b>	<b>\$ 398,715</b>

**OTHER**  
**SUPPLEMENTARY**  
**INFORMATION**

**Debt Service Funds**

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

### **PERS Bond Fund #315**

**For the Fiscal Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Local Sources	\$ 369,756	\$ 369,756	\$ 404,803	\$ 35,047
<b>Total Revenues</b>	369,756	369,756	404,803	35,047
<b><u>EXPENDITURES:</u></b>				
Debt Service	269,756	269,756	269,421	(335)
<b>Total Expenditures</b>	269,756	269,756	269,421	(335)
Net Change in Fund Balance	100,000	100,000	135,382	35,382
Beginning Fund Balance	200,000	200,000	278,397	78,397
<b>Ending Fund Balance</b>	<b>\$ 300,000</b>	<b>\$ 300,000</b>	<b>\$ 413,779</b>	<b>\$ 113,779</b>



# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

**2008 GO Bond Fund #320**

**For the Fiscal Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
<b><u>REVENUES:</u></b>				
Local Sources	\$ 620,163	\$ 620,163	\$ 609,887	\$ (10,276)
<b>Total Revenues</b>	620,163	620,163	609,887	(10,276)
<b><u>EXPENDITURES:</u></b>				
Debt Service	665,163	665,163	647,021	(18,142)
<b>Total Expenditures</b>	665,163	665,163	647,021	(18,142)
Net Change in Fund Balance	(45,000)	(45,000)	(37,134)	7,866
Beginning Fund Balance	45,000	45,000	45,908	908
<b>Ending Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,774</b>	<b>\$ 8,774</b>

**OTHER**  
**SUPPLEMENTARY**  
**INFORMATION**

**Capital Improvement Funds**

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **COMBINING BALANCE SHEET**

### **NON-MAJOR CAPITAL PROJECTS FUNDS**

**June 30, 2018**

	<b>Capital Construction/ Improvement Project Fund #410</b>	<b>Seismic Grant Fund #420</b>	<b>Totals</b>
<b><u>ASSETS:</u></b>			
Cash and Cash Equivalents	\$ 253,230	\$ (273,604)	\$ (20,374)
Accounts Receivable	-	410,315	410,315
<b>Total Assets</b>	<b>\$ 253,230</b>	<b>\$ 136,711</b>	<b>\$ 389,941</b>
 FUND BALANCES:			
Committed for:			
Capital Construction & Building Maintenance	253,230	136,711	389,941
<b>Total Fund Balances</b>	<b>253,230</b>	<b>136,711</b>	<b>389,941</b>
 <b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>	 <b>\$ 253,230</b>	 <b>\$ 136,711</b>	 <b>\$ 389,941</b>

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

### **NON-MAJOR CAPITAL PROJECTS FUNDS**

**For the Fiscal Year Ended June 30, 2018**

	<b>Capital Construction/ Improvement Project Fund #410</b>	<b>Seismic Grant Fund #420</b>	<b>Totals</b>
<b><u>REVENUES:</u></b>			
Local Sources	\$ 87,455	\$ -	\$ 87,455
State Sources	-	886,343	886,343
<b>Total Revenues</b>	<b>87,455</b>	<b>886,343</b>	<b>973,798</b>
<b><u>EXPENDITURES:</u></b>			
Current:			
Instruction	3,729	-	3,729
Support Services	119,694	-	119,694
Capital Outlay:			
Facilities Acquisition and Construction	-	749,632	749,632
<b>Total Expenditures</b>	<b>123,423</b>	<b>749,632</b>	<b>873,055</b>
Excess (Deficiency) of Revenues Over Expenditures	(35,968)	136,711	100,743
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Interfund Transfers In	100,000	-	100,000
<b>Net Change in Fund Balances</b>	<b>64,032</b>	<b>136,711</b>	<b>200,743</b>
Beginning Fund Balance	189,198	-	189,198
<b>Ending Fund Balance</b>	<b>\$ 253,230</b>	<b>\$ 136,711</b>	<b>\$ 389,941</b>

**REEDSPORT SCHOOL DISTRICT NO. 105****Schedule of Revenues, Expenditures,  
and Changes in Fund Balance - Budget and Actual  
Capital Construction/Improvement Project Fund #410  
For the Fiscal Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis) (See Note 1)	Over (Under)
<b><u>REVENUES:</u></b>				
Local Sources	\$ 20,000	\$ 20,000	\$ 87,455	\$ 67,455
<b>Total Revenues</b>	20,000	20,000	87,455	67,455
<b><u>EXPENDITURES:</u></b>				
Instruction	-	-	3,729	3,729
Support Services	75,000	150,000	119,694	(30,306)
Facilities Acquisition and Construction	75,000	-	-	-
<b>Total Expenditures</b>	150,000	150,000	123,423	(26,577)
Excess (Deficiency) of Revenues Over Expenditures	(130,000)	(130,000)	(35,968)	94,032
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Interfund Transfers In	100,000	100,000	100,000	-
<b>Total Other Financing Sources (Uses)</b>	100,000	100,000	100,000	-
Net Change in Fund Balance	(30,000)	(30,000)	64,032	94,032
Beginning Fund Balance	208,000	208,000	189,198	(18,802)
<b>Ending Fund Balance</b>	<b>\$ 178,000</b>	<b>\$ 178,000</b>	<b>\$ 253,230</b>	<b>\$ 75,230</b>

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

### **Seismic Grant Fund #420**

**For the Fiscal Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
<b><u>REVENUES:</u></b>				
State Sources	\$ 2,000,000	\$ 2,000,000	\$ 886,343	\$ (1,113,657)
<b>Total Revenues</b>	2,000,000	2,000,000	886,343	(1,113,657)
<b><u>EXPENDITURES:</u></b>				
Facilities Acquisition and Construction	2,000,000	2,000,000	749,632	(1,250,368)
<b>Total Expenditures</b>	2,000,000	2,000,000	749,632	(1,250,368)
Net Change in Fund Balance	-	-	136,711	136,711
<b>Ending Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 136,711</b>	<b>\$ 136,711</b>

**OTHER**  
**SUPPLEMENTARY**  
**INFORMATION**

**Fiduciary Funds**

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

### **Private Purpose Trust Fund**

**For the Fiscal Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note 1)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u> <u>(Under)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Local Sources	\$ 44,000	\$ 44,000	\$ 17,920	\$ (26,080)
<b>Total Revenues</b>	44,000	44,000	17,920	(26,080)
<b><u>EXPENDITURES:</u></b>				
Instruction	35,600	35,600	319	(35,281)
Support Services	38,000	38,000	-	(38,000)
Enterprise and Community Services	4,000	4,000	-	(4,000)
<b>Total Expenditures</b>	77,600	77,600	319	(77,281)
Net Change in Fund Balance	(33,600)	(33,600)	17,601	51,201
Beginning Fund Balance	157,500	157,500	135,761	(21,739)
<b>Ending Fund Balance</b>	<b>\$ 123,900</b>	<b>\$ 123,900</b>	<b>\$ 153,362</b>	<b>\$ 29,462</b>



**OTHER**  
**SUPPLEMENTARY**  
**INFORMATION**

**Additional Supporting**  
**Schedules**

**REEDSPORT SCHOOL DISTRICT NO. 105****SCHEDULE OF LONG-TERM DEBT TRANSACTIONS****For the Fiscal Year Ended June 30, 2018****Reedsport School District General Obligation Bond Series A & B**

Reedsport School District General Obligation Bond Series A & B. On March 6, 2008, the District issued \$10,300,000 General Obligation Bonds Series A (\$9,760,000 tax exempt) and Series B (\$540,000 taxable) bearing interest rates ranging from 3.125 % to 5.0%. The bonds are payable in semi-annual interest installments and an annual principal retirement. Interest payments are due December 15 and June 15 of each year. Principal Payments are due June 15 of each year. The purpose of the bonds is for major capital improvements of District's facilities

**Current Year Activity:**

	Outstanding Balance July 1, 2017	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2018	Due Within One Year
Principal	\$ 8,890,000	\$ -	\$ 280,000	\$ 8,610,000	\$ 310,000
Interest	-	367,063	367,063	-	355,163
Total	<u>\$ 8,890,000</u>	<u>\$ 367,063</u>	<u>\$ 647,063</u>	<u>\$ 8,610,000</u>	<u>\$ 665,163</u>

**Future Requirements:**

	Fiscal Year Ended June 30,	Principal	Interest	Total	Interest Rate
	2019	\$ 310,000	\$ 355,163	\$ 665,163	1.78%
	2020	340,000	342,375	682,375	1.78%
	2021	370,000	328,350	698,350	1.78%
	2022	405,000	313,088	718,088	1.78%
	2023	440,000	296,381	736,381	0.00%
	2024	475,000	278,231	753,231	0.00%
	2025	515,000	258,638	773,638	0.00%
	2026	555,000	237,394	792,394	0.00%
	2027	595,000	214,500	809,500	0.00%
	2028	640,000	189,956	829,956	0.00%
	2029	690,000	163,556	853,556	0.00%
	2030	740,000	135,094	875,094	0.00%
	2031	790,000	104,569	894,569	0.00%
	2032	845,000	71,981	916,981	0.00%
	2033	900,000	37,125	937,125	0.00%
Total		<u>\$ 8,610,000</u>	<u>\$ 3,326,401</u>	<u>\$ 11,936,401</u>	

**REEDSPORT SCHOOL DISTRICT NO. 105****SCHEDULE OF LONG-TERM DEBT TRANSACTIONS****For the Fiscal Year Ended June 30, 2018****Reedsport School District Limited Tax Pension Bond, Series 2002**

During the year ended June 30, 2003, the District issued \$2,908,726 Limited Tax Pension Bonds Series 2002 (Federally Taxable). The bonds are limited tax obligation debt and were issued October 2002. The bonds are payable annually through June, 2028. The bonds consist of \$743,726 Serial Maturities, with interest accrued semiannually at yields ranging from 2.06% to 6.1% through June 2020, and \$2,165,000 Term Bonds maturing from June, 2021 through June, 2008, with interest accrued semiannually at interest rates ranging from 4.48% 5.55%. These bonds were issued for the purpose of controlling the District's cost with respect to the PERS unfunded actuarial liabilities. The Serial Bonds are subject to optional redemption, as a whole or in part, on any date at a redemption price equal to the greater of the called principal plus accrued interest, or the discounted value plus accrued interest on the bond.

**Current Year Activity:**

	Outstanding Balance July 1, 2017	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2018	Due Within One Year
Principal	\$ 2,348,708	\$ -	\$ 60,045	\$ 2,288,663	\$ 61,400
Interest	-	210,394	210,394	-	223,356
Total	<u>\$ 2,348,708</u>	<u>\$ 210,394</u>	<u>\$ 270,439</u>	<u>\$ 2,288,663</u>	<u>\$ 284,756</u>

**Future Requirements:**

	Fiscal Year Ended June 30,	Principal	Interest	Total	Interest Rate
	2019	\$ 61,400	\$ 223,356	\$ 284,756	6.07%
	2020	62,264	237,492	299,756	6.15%
	2021	195,000	119,756	314,756	6.22%
	2022	220,000	109,031	329,031	6.26%
	2023	250,000	96,975	346,975	6.27%
	2024	280,000	83,250	363,250	6.27%
	2025	310,000	67,710	377,710	5.68%
	2026	345,000	50,505	395,505	5.68%
	2027	385,000	31,357	416,357	5.68%
	2028	180,000	9,990	189,990	5.68%
Total		<u>\$ 2,288,664</u>	<u>\$ 1,029,422</u>	<u>\$ 3,318,086</u>	

**ACCOMPANYING**  
**INFORMATION**

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**INDEPENDENT AUDITOR'S REPORT**  
**REQUIRED BY OREGON STATE REGULATIONS**  
**As of June 30, 2018**

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To the Governing Body of the Reedsport School District No. 105 Reedsport, Oregon

We have audited the basic financial statements of the Reedsport School District as of and for the year ended June 30, 2018 and have issued our report thereon dated December 14, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the Reedsport 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 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

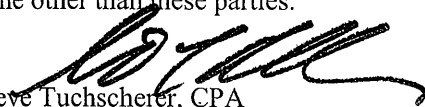
For the fiscal year ended June 30, 2018, over-expenditure of appropriations occurred in one fund, as noted on page 47 of the audit report.

The District has adopted new procedures to review actual vs. budget amounts regularly to avoid these over-expenditures in the future.

**OAR 162-10-0230 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District internal control over financial reporting.

This report is intended solely for the information and use of the Board of Directors and management of Reedsport 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.

  
Steve Tuchscherer, CPA  
Umpqua Valley Financial  
Roseburg, Oregon  
December 14, 2018

## **SINGLE AUDIT SECTION**



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

To the Board of Directors  
Reedsport School District No. 105

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reedsport School District No. 105, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Reedsport School District No. 105's basic financial statements and have issued our report thereon dated December 14, 2018.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

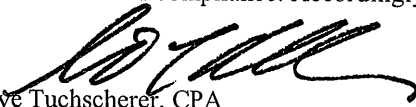
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Reedsport School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

  
Steve Tuchscherer, CPA  
Umpqua Valley Financial  
December 14, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Reedsport School District No. 105

**Report on Compliance for Each Major Federal Program**

I have audited Reedsport School District No. 105's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Reedsport School District No. 105's major federal programs for the year ended June 30, 2018. Reedsport School District No. 105's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of Reedsport School District No. 105's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Reedsport School District No. 105's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Reedsport School District No. 105's compliance.

**Opinion on Each Major Federal Program**

In my opinion, Reedsport School District No. 105 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control over Compliance**

The management of Reedsport School District No. 105 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit, I considered Reedsport School District No. 105's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Reedsport School District No. 105's internal control over compliance.



*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Steve Tuchscherer, CPA  
Umpqua Valley Financial  
Roseburg, Oregon  
December 14, 2018

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED June 30, 2018**

Federal Grantor/Pass Through Grantor/ Program Title	Grant Fund	Federal CFDA Number	Grant Period	(Receivable)/ Deferred		Cash Received	Expenditures	(Receivable)/ Deferred
				Original Program or Grant Amount	Revenue June 30, 2017			Revenue June 30, 2018
US. DEPARTMENT OF EDUCATION								
Passed Through Oregon Department of Education:								
Title IA - Grants to Local Education Agencies	Grants Fund	84.010	2017-18	241,803	\$ -	\$ 214,511	\$ 240,971	\$ (26,460)
Title IA - Grants to Local Education Agencies	Grants Fund	84.010	2016-17	238,190	-	52,450	52,450	-
Title 1 School Improvements Grants	Grants Fund	84.010	2017-18	200,000	-	179,826	193,822	(13,996)
Title 1 School Improvements Grants	Grants Fund	84.010	2016-17	50,000	-	-	-	-
Total Title I				729,993	-	446,787	487,243	(40,456)
Supporting Effective Instruction State Grants	Grants Fund	84.367	2017-18	29,818	-	18,303	29,818	(11,515)
Supporting Effective Instruction State Grants	Grants Fund	84.367	2016-17	48,643	-	6,510	6,510	-
Total Supporting Effective Instruction State Grants				78,461	-	24,813	36,328	(11,515)
Rural Education	Grants Fund	84.358	2017-18	10,286	-	-	10,286	(10,286)
Rural Education	Grants Fund	84.358	2016-17	12,701	-	-	534	(534)
Total Rural Education				22,987	-	-	10,820	(10,820)
IDEA - Special Education Grants to States	Grants Fund	84.027A	2017-18	149,235	-	-	111,637	(111,637)
IDEA - Special Education Grants to States	Grants Fund	84.027A	2016-17	138,743	4,360	-	89,192	(84,832)
IDEA - Enhancement & Extended Assessment Training	Grants Fund	84.027A	2017-18	2,122	-	2,122	2,122	-
IDEA - Enhancement & Extended Assessment Training	Grants Fund	84.027A	2016-17	2,122	(2,122)	2,122	-	-
IDEA - Special Ed Preschool Grant	Grants Fund	84.173	2017-18	3,352	-	1,915	3,298	(1,383)
IDEA - Special Ed Preschool Grant	Grants Fund	84.173	2016-17	1,844	-	1,844	1,844	-
IDEA - Special Ed Preschool Grant	Grants Fund	84.173	2015-16	2,131	(2,131)	-	-	(2,131)
IDEA - SPR & I	Grants Fund	84.027	2017-18	1,638	-	1,638	1,638	-
IDEA - SPR & I	Grants Fund	84.027	2016-17	-	-	-	-	-
Total IDEA				301,187	107	9,641	209,731	(199,983)
Student Support And Academic Enrichment	Grant	84.424	2017-18	10,000	-	-	9,883	(9,883)
Total Passed through Oregon Department of Education				\$ 1,142,628	\$ 107	\$ 481,241	\$ 754,005	\$ (272,657)
U.S. DEPARTMENT OF AGRICULTURE								
Passed Through Oregon Department of Education:								
Commodities	* Food Service	10.555	2017-18	\$ 31,322	\$ -	\$ 31,322	\$ 31,322	\$ -
National School Lunch - Breakfast	* Food Service	10.553	2017-18	89,689	-	78,949	89,689	(10,740)
National School Lunch - Section 4	* Food Service	10.555	2017-18	176,606	-	154,080	176,606	(22,526)
Child and Adult Care Food Program - After School	* Food Service	10.558	2017-18	140,641	-	123,903	140,641	(16,738)
Child and Adult Care Food Program - Cash Commodities	* Food Service	10.558	2017-18	10,124	-	8,919	10,124	(1,205)
State Administrative Expenses for Child Nutrition	* Food Service	10.560	2017-18	582	(582)	582	-	-
Fresh Fruit and Vegetable Program	* Food Service	10.582	2017-18	19,887	-	16,979	19,887	(2,908)
Total National School Lunch Program				468,851	(582)	414,734	468,269	(54,117)
Passed Through Douglas County:								
School and Roads - Grants to States	* General Fund	10.665	2017-18	150,367	-	150,367	150,367	-
Total U.S. Department of Agriculture				\$ 619,218	\$ (582)	\$ 565,101	\$ 618,636	\$ (54,117)
TOTALS				\$ 1,761,846	\$ (475)	\$ 1,046,342	\$ 1,372,641	\$ (326,774)

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of federal awards (the “Schedule”) includes the federal award activity of Reedsport School District No. 105 under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Reedsport School District No. 105, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Reedsport School District No. 105.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 – INDIRECT COSTS RATE**

Reedsport School District No. 105 has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2018

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### **Section I—Summary of Auditor’s Results**

1. The auditor’s report expresses an unqualified opinion on the financial statements of Reedsport School District No. 105 in accordance with GAAP.
2. No material weaknesses or significant deficiencies in internal control related to the financial statement audit were identified which are required to be reported.
3. No instances of noncompliance material to the financial statements of Reedsport School District No. 105 were disclosed during the audit.
4. The auditor’s report on compliance for the major federal award program expresses an unmodified opinion.
5. The audit did not disclose any findings that are required to be reported.
6. The programs tested as a major program were the National Schools Lunch Cluster, CFDA’s 10.553, 10.555, 10.558, 10.560, and 10.582; and the U.S. Department of Agriculture Cluster, CFDA 10.665.
7. The threshold for distinguishing between Type A and B programs was \$750,000.
8. The District was determined to be a low-risk auditee.

### **Section II—Financial Statements Findings**

No findings related to the financial statements are reported in accordance with *Government Auditing Standards* for the year ended June 30, 2018.

### **Section III—Federal Award Findings and Questioned Costs**

No matters were reported relating to significant deficiencies, material weaknesses, or instances of noncompliance related to the federal awards that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

June 30, 2018

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### **Findings:**

2017-001, 2016-001, 2015-001 Significant deficiency in internal controls relating to a lack of segregation of duties and lack of monitoring of inexperienced staff.

**CONDITION:** Business office staff working during the fiscal years ending June 30, 2015, 2016, and 2017 was inexperienced. The District did not have a full-time Business Manager during the year. The interim Business Manager was unable to devote sufficient time to monitoring newly hired staff which resulted in numerous accounting errors that were not caught and corrected until well after the end of the fiscal year. Because the interim Business Manager also performed several of the duties that would have traditionally been performed by her accounting staff, there was limited segregation of those duties.

Status: Corrected

### **CORRECTIVE ACTION PLAN**

**Finding:** 2017-001 Significant deficiency in internal controls relating to a lack of segregation of duties and lack of monitoring of inexperienced staff.

**Management's Response:** Reedsport School District No. 105 has updated and is strictly adhered to improved accounting and internal control systems most recently updated in 2017. Though the small size of the District's business office staff limits the ability to completely segregate duties, management is aware of this and actively maintains oversight of the District's daily functions.

**Corrective Action Plan:** Changes to the control systems include no one employee processing a transaction/function from start to finish and using the financial and attendance software system approval structure. Accounts payable requests are input by building office managers, approved by the building principal and then the superintendent within the financial software, before being turned into purchase orders by the business manager. A record of all approvals including date and time are recorded within the system. The business services specialist maintains the file of open purchase orders and preps the invoices once items have been received and are approved to pay. The actual accounts payable batch is entered by the ESD staff, and then given to the business manager to cut the checks. After checks have been cut, all items are returned to the business services specialist to mail, and file backup. All accounts payable items are included in the monthly board report for review by the Reedsport School District #105 Board of Directors and are part of the consent agenda action. Revenues are receipted in by the business services specialist or office managers and deposited in the bank. The bank deposits are then forwarded to the business manager for coding and input into the financial software system. Reedsport School District #105 Board of Directors receive monthly revenue and expenditure reports. Human resource needs are given to the administrative secretary/HR to post the job, receive applications. Once a hire is determined, the supervisor completes a hiring report, which is reviewed and approved by the superintendent, and a contract is created by the administrative secretary and a calendar is created by the business services specialist. Paperwork is then forwarded to the ESD staff for input into the financial software. Payroll timecards and leave for regular employees and substitutes are tracking within the time and attendance software, reviewed by office managers, approved by building principals. The business services specialist then reviews timecards for accuracy and proper accounting codes, before forwarding on to ESD staff for input into the financial software. Once the payroll has been processed and balanced it is given to the business manager to cut checks and make the ACH direct deposit transfer. Checks and stubs are then given to the business services specialist for mailing, distribution to staff. Bank reconciliations are performed by the business manager and reviewed and signed by the superintendent.

**Action Taken:** The District continued to review and improve internal controls, separating duties when possible among the Business Manager, South Coast ESD staff, Business Services Specialist, Administrative Secretary/Human Resources, and Superintendent. It was recognized that the value of incurring the additional expenses to increase staff in the District office does not justify the cost in the current economic climate of declining resources.

As of July 1, 2018, the District engaged Douglas ESD to provide business management services previously provided by South Coast ESD.

# **REEDSPORT SCHOOL DISTRICT NO. 105**

## **Oregon Department of Education Form 581-3211-C**

**For the Fiscal Year Ended June 30, 2018**

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### **SUPPLEMENTAL INFORMATION 2017-2018**

Part A is needed for computing Oregon's full allocation for ESEA, Title 1 & other Federal Funds for Education

**B. Energy Bills for Heating - All Funds:**

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

	Objects 325 & 326
Function 2540	\$ 236,713
Function 2550	\$ 2,272

**C. Replacement of Equipment - General Fund:**

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

Exclude these functions:

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

Exclude these functions:

4150      Construction  
2550      Pupil Transportation  
3100      Food Service  
3300      Community Services

\$ -
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**REEDSPORT SCHOOL DISTRICT NO. 105****Revenue Summary - All Funds****For the Fiscal Year Ended June 30, 2018**

<b>Revenue from Local Sources</b>		<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>	<b>Fund 700</b>
1110	Ad Valorem Taxes Levied by District	\$1,970,920	\$ -	\$ 609,518	\$ -	\$ -
1500	Earnings on Investments	55,488	1,523	368	-	272
1600	Food Service	-	4,389	-	-	-
1700	Extracurricular Activities	20,909	79,656	-	-	-
1910	Rentals	13,958	8,590	-	-	-
1920	Contributions and Donations From Private Sources	874	21,736	-	-	18,098
1940	Services Provided Other Local Education Agencies	713,140	-	-	-	-
1960	Recovery of Prior Years' Expenditure	6,256	-	-	-	-
1970	Services Provided Other Funds	-	-	404,803	-	-
1990	Miscellaneous	31,685	956	-	87,455	3,277
<b>Total Revenue from Local Sources</b>		<b>\$2,813,230</b>	<b>\$ 116,849</b>	<b>\$ 1,014,689</b>	<b>\$ 87,455</b>	<b>\$ 21,647</b>
<b>Revenue from Intermediate Sources</b>		<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>	<b>Fund 700</b>
2101	County School Funds	\$ 16,905	\$ -	\$ -	\$ -	\$ -
2199	Other Intermediate Sources	-	-	-	-	3,358,262
2200	Restricted Revenue	-	12,000	-	-	-
<b>Total Revenue from Intermediate Sources</b>		<b>\$ 16,905</b>	<b>\$ 12,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,358,262</b>
<b>Revenue from State Sources</b>		<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>	<b>Fund 700</b>
3101	State School Fund - General Support	\$5,223,524	\$ -	\$ -	\$ -	\$ -
3102	State School Fund - School Lunch Match	-	2,982	-	-	-
3103	Common School Fund	63,620	-	-	-	-
3104	State Managed County Timber	4,371	-	-	-	-
3199	Other Unrestricted Grants-In-Aid	-	-	-	-	12,794
3299	Other Restricted Grants-In-Aid	6,889	196,768	-	886,343	1,440
<b>Total Revenue from State Sources</b>		<b>\$5,298,404</b>	<b>\$ 199,750</b>	<b>\$ -</b>	<b>\$ 886,343</b>	<b>\$ 14,234</b>
<b>Revenue from Federal Sources</b>		<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>	<b>Fund 700</b>
4500	Restricted Revenue From the Federal Government Through the State	\$ -	\$ 1,209,429	\$ -	\$ -	\$ -
4801	Federal Forest Fees	150,367	-	-	-	-
<b>Total Revenue from Federal Sources</b>		<b>\$ 150,367</b>	<b>\$ 1,209,429</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from Other Sources</b>		<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>	<b>Fund 700</b>
5100	Long Term Debt Financing Sources	\$ 300,000	\$ -	\$ -	\$ -	\$ -
5200	Interfund Transfers	-	125,722	-	100,000	-
5400	Resources - Beginning Fund Balance	1,158,575	989,616	324,306	189,198	135,761
<b>Total Revenue from Other Sources</b>		<b>\$1,458,575</b>	<b>\$ 1,115,339</b>	<b>\$ 324,306</b>	<b>\$ 289,198</b>	<b>\$ 135,761</b>
<b>Grand Total</b>		<b>\$9,737,481</b>	<b>\$ 2,653,367</b>	<b>\$ 1,338,995</b>	<b>\$1,262,996</b>	<b>\$ 3,529,905</b>



**REEDSPORT SCHOOL DISTRICT NO. 105****Expenditure Summary - General Fund #100****For the Fiscal Year Ended June 30, 2018**

<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>	<b>Object 700</b>
1111	Elementary, K-5 or K-6	\$ 1,720,226	\$ 1,058,035	\$ 598,380	\$ 39,884	\$ 23,926	\$ -	\$ -
1113	Elementary Extracurricular	983	625	359	-	-	-	-
1132	High School Extracurricular	7,724	47	4	-	7,673	-	-
1220	Restrictive Programs for Students with Disabilities	541,370	287,398	245,986	1,095	6,892	-	-
1250	Less Restrictive Programs for Students with Disabilities	524,357	268,266	233,333	21,882	877	-	-
1280	Alternative Education	3,358,262	-	-	3,358,262	-	-	-
1291	English Second Language Programs	41,676	19,358	22,318	-	-	-	-
1299	Other Programs	9,935	-	-	9,935	-	-	-
<b>Total Instruction Expenditures</b>		\$ 6,204,534	\$ 1,633,728	\$ 1,100,380	\$ 3,431,059	\$ 39,367	\$ -	\$ -
<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>	<b>Object 700</b>
2110	Attendance and Social Work Services	\$ 6,500	\$ -	\$ -	\$ 6,500	\$ -	\$ -	\$ -
2130	Health Services	143,807	-	-	143,480	327	-	-
2140	Psychological Services	95,916	-	-	95,916	-	-	-
2150	Speech Pathology and Audiology Svcs	112,904	-	-	112,904	-	-	-
2190	Service Direction, Student Support Srvc	1,515	-	-	-	1,515	-	-
2210	Improvement of Instruction Services	17,374	8,653	4,072	380	-	4,269	-
2220	Educational Media Services	51,286	25,510	23,905	-	1,761	110	-
2230	Assessment & Testing	5,656	4,191	1,466	-	-	-	-
2240	Instructional Staff Development	656	-	-	656	-	-	-
2310	Board of Education Services	108,076	16,900	5,551	77,054	2,829	5,741	-
2320	Executive Administration Services	122,652	87,443	30,332	1,540	1,695	1,641	-
2410	Office of the Principal Services	243,292	138,036	94,131	8,698	683	1,745	-
2520	Fiscal Services	63,200	41,645	13,904	1,218	355	6,078	-
2540	Operation and Maint. of Plant Services	323,647	76,859	54,645	138,952	24,710	28,481	-
2550	Student Transportation Services	505,274	5,722	2,128	497,424	-	-	-
2570	Internal Services	19,209	-	-	19,209	-	-	-
2660	Technology Services	164,325	71,423	35,474	20,400	36,877	150	-
2700	Supplemental Retirement Program	2,191	2,035	156	-	-	-	-
<b>Total Support Services Expenditures</b>		\$ 1,987,479	\$ 478,416	\$ 265,763	\$ 1,124,331	\$ 70,753	\$ 48,216	\$ -
<b>Other Uses 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>	<b>Object 700</b>
5100	Debt Service	\$ 301,060	\$ -	\$ -	\$ -	\$ -	\$ 301,060	\$ -
5200	Transfers of Funds	225,722	-	-	-	-	-	225,722
<b>Total Other Uses Expenditures</b>		\$ 526,782	\$ -	\$ -	\$ -	\$ -	\$ 301,060	\$ 225,722
<b>Grand Total</b>		\$ 8,718,796	\$ 2,112,145	\$ 1,366,143	\$ 4,555,390	\$ 110,120	\$ 349,276	\$ 225,722

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**Expenditure Summary - Special Revenue Funds #200**

**For the Fiscal Year Ended June 30, 2018**

<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 500</b>	<b>Object 600</b>
1111	Elementary, K-5 or K-6	\$ 48,123	\$ 28,859	\$ 18,288	\$ 921	\$ 55	\$ -	\$ -
1121	Middle/Junior High Programs	20,627	-	-	-	20,627	-	-
1131	High School Programs	202,970	48,113	22,630	8,138	123,090	-	1,000
1220	Restrictive Programs for Students with Disabilities	1,891	-	-	409	1,482	-	-
1250	Less Restrictive Programs for Students with Disabilities	208,271	117,144	85,207	2,443	2,883	-	595
1272	Title I	287,270	144,809	139,102	409	2,950	-	-
1299	Other Programs	25,483	11,630	11,742	1,590	521	-	-
<b>Total Instruction Expenditures</b>		\$ 794,636	\$350,555	\$276,968	\$ 13,910	\$151,608	\$ -	\$ 1,595
<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 500</b>	<b>Object 600</b>
2190	Service Direction, Student Support Svcs	\$ 2,481	\$ -	\$ -	\$ 2,185	\$ 297	\$ -	\$ -
2210	Improvement of Instruction Services	288,705	121,103	75,611	53,742	34,549	-	3,699
2220	Educational Media Services	291	-	-	-	291	-	-
2240	Instructional Staff Development	6,150	-	-	5,750	-	-	400
2660	Technology Services	67,708	-	-	-	67,708	-	-
<b>Total Support Services Expenditures</b>		\$ 365,335	\$121,103	\$ 75,611	\$ 61,677	\$102,845	\$ -	\$ 4,099
<b>Enterprise &amp; Community Services Expenditure</b>		<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>
3100	Food Services	\$ 404,490	\$ 87,854	\$ 94,040	\$206,169	\$ 149	\$ 13,996	\$ 2,282
3300	Community Services	42,705	-	-	42,012	693	-	-
<b>Total Enterprise and Community Services Expenditures</b>		\$ 447,195	\$ 87,854	\$ 94,040	\$248,181	\$ 842	\$ 13,996	\$ 2,282
<b>Grand Total</b>		\$1,607,166	\$559,512	\$446,620	\$323,768	\$255,295	\$ 13,996	\$ 7,976

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**Expenditure Summary - Debt Service Funds #300**

**For the Fiscal Year Ended June 30, 2018**

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**Other Uses Expenditures**

5100 Debt Service

**Total Other Uses Expenditures**

**Grand Total**

<b>Totals</b>	<b>Object 600</b>
\$ 916,443	\$ 916,443
\$ 916,443	\$ 916,443
\$ 916,443	\$ 916,443

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**Expenditure Summary - Capital Projects Funds #400**  
**For the Fiscal Year Ended June 30, 2018**

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<b>Instruction Expenditures</b>		<b>Totals</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>
1111	Elementary, K-5 or K-6	\$ 3,729	\$ -	\$ 3,729	\$ -
<b>Total Instruction Expenditures</b>		\$ 3,729	\$ -	\$ 3,729	\$ -
<b>Support Services Expenditures</b>		<b>Totals</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>
2540	Operation and maintenance of Plant Services	\$ 119,694	\$ 117,230	\$ 2,465	\$ -
<b>Total Support Services Expenditures</b>		\$ 119,694	\$ 117,230	\$ 2,465	\$ -
<b>Facilities Acquisition and Construction Expenditures</b>		<b>Totals</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>
4150	Building Acquisition, Construction, and Improvement Services	\$ 749,632	\$ -	\$ -	\$ 749,632
<b>Total Facilities Acquisition and Construction Expenditures</b>		\$ 749,632	\$ -	\$ -	\$ 749,632
<b>Grand Total</b>		\$ 873,056	\$ 117,230	\$ 6,194	\$ 749,632

**REEDSPORT SCHOOL DISTRICT NO. 105**  
**Expenditure Summary - Trust and Agency Funds #700**

**For the Fiscal Year Ended June 30, 2018**

<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>
1121	Middle/Junior High Programs	\$ 416,273	\$ 254,641	\$ 150,359	\$ 1,035	\$ 10,239	\$ -
1131	High School Programs	765,160	486,447	253,435	4,571	18,718	1,990
1132	High School Extracurricular	270,037	143,944	69,053	25,341	23,774	7,925
1280	Alternative Education	289,929	10,068	5,873	273,988	-	-
1291	English Second Language Programs	4,600	3,199	1,400	-	-	-
<b>Total Instruction Expenditures</b>		<b>\$1,745,999</b>	<b>\$ 898,299</b>	<b>\$ 480,120</b>	<b>\$ 304,935</b>	<b>\$ 52,730</b>	<b>\$ 9,915</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>
2110	Attendance and Social Work Services	\$ 16,660	\$ 1,666	\$ 1,495	\$ 13,500	\$ -	\$ -
2120	Guidance Services	133,035	75,257	57,593	-	185	-
2210	Improvement of Instruction Services	2,375	-	2,375	-	-	-
2220	Educational Media Services	38,577	20,352	15,109	-	2,612	504
2310	Board of Education Services	2,582	-	-	2,162	-	420
2410	Office of the Principal Services	255,066	151,321	97,629	1,953	2,103	2,060
2490	Other Support Services - School Administration	713,140	-	-	713,140	-	-
2540	Operation and Maintenance of Plant Services	445,296	100,389	71,460	209,999	21,700	41,749
2570	Internal Services	14,800	-	-	14,800	-	-
2660	Technology Services	9,011	-	-	-	9,011	-
<b>Total Support Services Expenditures</b>		<b>\$1,630,543</b>	<b>\$ 348,985</b>	<b>\$ 245,661</b>	<b>\$ 955,553</b>	<b>\$ 35,611</b>	<b>\$ 44,733</b>
<b>Grand Total</b>		<b>\$3,376,542</b>	<b>\$ 1,247,284</b>	<b>\$ 725,781</b>	<b>\$ 1,260,489</b>	<b>\$ 88,341</b>	<b>\$ 54,648</b>