

**REEDSPORT COMMUNITY
CHARTER SCHOOL**

REEDSPORT, OREGON

Audit Report

June 30, 2019

UMPQUA VALLEY FINANCIAL, LLC

REEDSPORT COMMUNITY CHARTER SCHOOL

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REEDSPORT COMMUNITY CHARTER SCHOOL

AUDIT REPORT

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Reedsport Community Charter School
100 Ranch Road
Reedsport, Oregon 97467

I have audited the accompanying financial statements of the governmental activities and the major fund of the Reedsport Community Charter School (the School), a component unit of Reedsport School District No. 105, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School'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 and major fund of the Reedsport Community Charter School as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 2-6, and the schedule of revenues, expenditures and changes in fund balances – budget and actuals on page 23 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 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 School's basic financial statements. The schedule of revenues, expenditures and changes in fund balances – budget and actuals described above on page 23 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 schedule of revenues, expenditures and changes in fund balances – budget and actuals has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of revenues, expenditures and changes in fund balances – budget and actuals is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 October 30, 2019, on our consideration of the Reedsport Community Charter School'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 School's compliance.



Steve Tuchscherer, CPA
October 30, 2019

MANAGEMENT'S DISCUSSION

AND ANALYSIS

REEDSPORT COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2019

The discussion and analysis of Reedsport Community Charter School's financial performance provides an overview of the school's financial activities for the fiscal year that ended June 30, 2019. The intent of this discussion and analysis is to look at the school's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the school's financial performance.

Reedsport Community Charter School is a quasi-government organization. Wherever the term government or governmental is used in this report, the reader should be aware that the reference is to the Charter School.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2019 are as follows:

- Program revenue of \$3,313,654 accounted for 99.9% of all revenues. Program revenues were down 1.8 percent from the prior year. General revenues of \$3,000 accounted for .1% of all revenues.
- The School has \$3,316,654 in expenses related to school activities, a decrease of \$59,569 from prior year expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the School'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.

Government-wide Financial Statements

The first of the government-wide statements is the *Statement of Net Position*. This is the government-wide statement of financial position presenting information that includes all of the School'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 School as a whole is improving or deteriorating. Evaluation of the overall economic health of the School would extend to other non-financial factors such as the condition of school buildings and other facilities and changes in the School's enrollment, which dictates the majority of revenue to be collected from Reedsport School District.

The second government-wide statement is the *Statement of Activities* which reports how the School'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 School that are supported exclusively by revenues received from Reedsport School District. The governmental activities of the School include instruction, instructional support services, operation and maintenance of plant and non-instructional support services.

REEDSPORT COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2019

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations.

At this time the School has only one fund, the General Fund, a governmental type 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 provide reconciliation to government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the Reedsport Community Charter School. These statements and schedules demonstrate compliance with the School's adopted and final revised budget. Budgetary comparison schedules for the other governmental funds can be found in a later section of this report.

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.

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 Reedsport Community Charter School. The required supplementary information immediately follows the notes to the financial statements

Financial Analysis of the School as a Whole

Recall that the Statement of Net Position provides the perspective of the School as a whole. Net position may serve over time as a useful indicator of a government's financial position. The School's net position has a balance of \$0 at the fiscal year-end.

REEDSPORT COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2019

The following table provides a summary of the School's net position. Comparative information from the previous year is provided.

Summary of Net Position

	Governmental Activities		Percentage Change
	June 30, 2019	June 30, 2018	
Assets			
Current and Other Assets	\$ -	\$ 43,443	-100.0%
Total Assets	-	43,443	-100.0%
Liabilities			
Other Liabilities	-	43,443	-100.0%
Total Liabilities	-	43,443	-100.0%
Net Position			
Unrestricted	-	-	N/A
Total Net Position	\$ -	\$ -	N/A

REEDSPORT COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2019

The following table shows the changes in net position. Prior-year information is provided for comparative analysis of government-wide revenue and expense information.

Changes in Net Position			
	Governmental Activities		
	2018-19	2017-18	Percentage Change
Revenues			
Program Revenues			
Charges for Services	\$ 3,313,654	\$ 3,358,895	-1.3%
Operating Grants and Contributions	-	14,234	-100.0%
General Revenues			
Local Sources	3,000	3,094	-3.0%
Total Revenues	3,316,654	3,376,223	-1.8%
Program Expenses			
Instruction	1,667,918	1,745,680	-4.5%
Support Services	1,648,736	1,630,543	1.1%
Total Program Expenses	3,316,654	3,376,223	-1.8%
Change in Net Position	\$ -	\$ -	

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 two major functional activities of the School. 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 is placed on the State and School's taxpayers by each of these functions.

	Governmental Activities			
	2018-19		2017-18	
	Total Cost of Services	Net Cost (Profit) of Services	Total Cost of Services	Net Cost (Profit) of Services
Instruction	\$ 1,667,918	\$ (3,000)	\$ 1,745,680	\$ (3,094)
Support Services	1,648,736	-	1,630,543	-
Total Program Expenses	\$ 3,316,654	\$ (3,000)	\$ 3,376,223	\$ (3,094)

REEDSPORT COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2019

Financial Analysis of the School's Funds

Governmental Funds

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the School's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year. The financial performance of the School as a whole is reflected in its governmental funds. As the School completed the year, its governmental funds reported a combined fund balance of \$0 during the fiscal year. The fund balance consists of non-spendable, restricted, committed, assigned and unassigned amounts.

Budgetary Highlights

General Fund revenues were budgeted and anticipated to be collected in the amount of \$3,463,643 during the fiscal year. Actual General Fund revenues of \$3,316,654 fell short of the budgeted revenues by \$49,008. General Fund expenditures of \$3,365,662 were budgeted. General Fund expenditures of \$3,316,654 were under spent by \$49,008 of the budgeted amount. The actual ending fund balance is \$0. The budgeted ending fund balance is \$0.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the School has invested \$0 in capital assets, including school buildings, athletic facilities, land, vehicles, computers and other equipment and furnishings.

Long-Term Debt

At June 30, 2019 the School has no long-term debt.

Economic Factors and Next Year's Budget and Rates

The primary factor considered in developing the budget for next year are the continued commitment to operate the high school as a charter school for grades 7-12. Budgeted revenues and expenditures in the General Fund increased 2 percent to \$3,448,040 in fiscal year 2019-20.

One of the main factors in establishing the 2019-2020 budget is the enrollment level of the District. For the 2019-2020 school year the District will budget on an enrollment of 670. This is the same enrollment level as the district budgeted on for the 2018-2019 school year. The enrollment level is monitored closely each year. 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.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the resources it receives. If you have any questions about this report or need additional information, contact the Business Office, Reedsport Community Charter School, PO Box 10, Reedsport, Oregon 97429

BASIC

FINANCIAL STATEMENTS

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

Government - Wide
Financial Statements

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

REEDSPORT COMMUNITY CHARTER SCHOOL

STATEMENT OF NET POSITION

June 30, 2019

	<u>Governmental Activities</u>	
<u>ASSETS:</u>		
Current Assets:		
Cash and Cash Equivalents	\$ -	<u> </u>
Total Assets		<u> </u> -
<u>LIABILITIES:</u>		
Accounts Payable	<u> </u> -	
Total Liabilities		<u> </u> -
<u>NET POSITION:</u>		
Unrestricted	<u> </u>	
Total Net Position		<u> </u> \$ -

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

Fund Financial Statements

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

REEDSPORT COMMUNITY CHARTER SCHOOL

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2019

	<u>Charter School #700</u>
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ -
Total Assets	\$ -
<u>LIABILITIES AND FUND BALANCES:</u>	
LIABILITIES:	
Accounts Payable	\$ -
Total Liabilities	-
FUND BALANCES:	
Unassigned	-
Total Fund Balances	-
Total Liabilities & Fund Balances	\$ -

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

REEDSPORT COMMUNITY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	Charter School #700
<u>REVENUES:</u>	
Miscellaneous Revenue	\$ 3,000
Intermediate Government Aid	3,313,654
Total Revenues	3,316,654
<u>EXPENDITURES:</u>	
Current:	
Instruction	1,667,918
Support Services	1,648,736
Total Expenditures	3,316,654
Net Change in Fund Balances	-
Beginning Fund Balance	-
Ending Fund Balance	\$ -

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

Notes To The Basic
Financial Statements

REEDSPORT COMMUNITY CHARTER SCHOOL

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

Reedsport Community Charter School is an Oregon Charter School as authorized by Oregon Revised Statute Chapter 338 with the powers and authority vested by their charter in a Board of Directors and began operations in February 2010. The School was formed for the purpose of creating a community-based, technology-infused, problem-solving curriculum to 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, which is sponsored Reedsport School District No. 105, (the District) is governed by a nine-member board appointed by governing Board of the District.

Reedsport Community Charter School is a quasi-government organization. Wherever the term government or governmental is used in this report, the reader should be aware that the reference is to the Charter School.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of Reedsport Community Charter School have been prepared in conformity with accounting principals 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 Community Charter School complies with Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity." The criteria for including organizations as component units within the School's reporting entity, include whether 1) the School appoints a voting majority of the organization's board; 2) the School is able to impose its will on the organization; 3) the organization has the potential to impose a financial benefit or burden on the School; and 4) there is fiscal dependency by the organization on the School.

The Reedsport Community Charter School is a component unit of the Reedsport School District.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the School as a whole. These statements include the financial activities of the overall School. Eliminations have been made 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 School has no business type activities that rely, to a significant extent, on fees and charges for support. The School 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 School.

REEDSPORT COMMUNITY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

B. Basis of Presentation (Cont.)

Fund Financial Statements: During the fiscal year, the School segregates transactions related to school functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide reports on the financial condition and results of operations for governmental operations. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental funds:

Reedsport Community Charter School- General Fund - This is the School's primary operating fund and accounts for and reports all revenues and expenditures except those required to be accounted for in another fund. The expenditures incurred in operating the Charter School including the cost of instructors, administrators, instructional aides and building maintenance and operation of the school are accounted for in this fund.

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. 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 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 School has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

REEDSPORT COMMUNITY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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

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

D. Budgeting

Although the School is exempt from Local Budget Law per ORS 294.316, the School prepares a budget in accordance with Local Budget Law. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

Oregon Local Budget law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, supporting services, community services, facilities acquisition and construction, and debt service are the levels of control.

Management may reassign resources within functions without seeking approval of the School's Board of Directors.

Original appropriations may be increased through resolutions by transferring amounts between appropriations in the General Fund. A supplemental budget is needed to increase appropriations when appropriations transfers are unauthorized, and is prepared in the same manner as the regular budget. Budget amounts are as originally adopted, or as amended by the School's Board of Directors.

The School 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 and support services. 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.

Budget amounts shown in the budgetary comparison schedules include both the original and, when applicable, the revised amount.

E. Cash and Investments

The School's cash and cash equivalents are considered to be cash on hand, demand deposits with local financial institutions, and investments in the Oregon State Treasury Local Government Investment Pool.

The School maintains a central pool of cash and cash equivalents that are commingled with Reedsport School District No. 105.

REEDSPORT COMMUNITY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

F. Receivables

Uncollected revenues from sources that are earned but not received by the fiscal year end are reported as receivable in the current assets section in the government-wide statement of net position by the School. Government 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 in the current assets section in the government-wide statement of net position by the School. All receivables are considered fully collectible; consequently, no allowance for uncollectible taxes has been established. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

G. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or law or regulations of other governments.

H. Equity Classifications:

Government-wide Statements

Equity is classified as net position, which represents the difference between assets and liabilities. 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 School'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.

REEDSPORT COMMUNITY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

H. Equity Classifications (Cont.):

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 School 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 School did not have any unspendable resources at June 30, 2019.
- 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 School has no restricted resources at June 30, 2019.
- 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 School has no committed resources at June 30, 2019.
- 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. The School has no assigned resources at June 30, 2019.
- 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 school has no unassigned resources at June 30, 2019.

The School would typically 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 these other classified funds.

J. 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.

REEDSPORT COMMUNITY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

JUNE 30, 2019

CASH AND INVESTMENTS:

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

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 School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk.

As of June 30, 2019, the reported amount of the School's deposits is \$0 and the bank balance is \$0. Of the bank balance, the entire amount is covered by federal depository insurance or by pledged securities with the qualifying depository banks.

For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to participate in the Public Funds Collateralization Program. The Public Funds Collateralization Pool is a multiple financial institution collateral pool administered by the Oregon State Treasurer's Office. It was created by the Office of the State Treasurer to facilitate bank depository, custodian and public official compliance with ORS 295. Bank depositors, which are part of a shared liability pool, are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third-party custodian bank securities having a value of 10 percent, 25 percent or 110 percent of public funds on deposit depending primarily on the capitalization level of the depository bank.

REEDSPORT COMMUNITY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2019

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 School expects such amount, if any, to be immaterial.

The potential effects of an illegal act or of material revenue derived from transactions involving illegal acts or significant unusual risks may constitute a liability of the applicable fund. The School expects such liability amount, if any, to be immaterial.

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

RISK MANAGEMENT:

The School 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 School is joined together with other schools and special Districts in the state, which are members of Special Districts of Oregon (SDOA). SDOA oversees the Special Schools Insurance Services Trust, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The School has an annually renewable contract to pay SDOA an annual premium for its general liability, property liability, automobile liability, boiler and machinery, comprehensive crime, and umbrella insurance coverage.

The School 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 School came under the State Unemployment Act as of July 1, 1974. The School has elected to reimburse the State of Oregon Employment Division 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.

SUPPLEMENTARY
INFORMATION

REEDSPORT COMMUNITY CHARTER SCHOOL

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

Charter School General Fund

For the Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u> <u>(Under)</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note 1)</u>	
<u>REVENUES:</u>				
Miscellaneous Revenue	\$ -	\$ -	\$ 3,000	\$ 3,000
Intermediate Government Ai	-	-	3,313,654	3,313,654
State Aid	3,365,662	3,365,662	-	(3,365,662)
Total Revenues	3,365,662	3,365,662	3,316,654	(49,008)
<u>EXPENDITURES:</u>				
Instruction	1,738,378	1,738,378	1,667,918	(70,460)
Support Services	1,627,284	1,627,284	1,648,736	21,452
Total Expenditures	3,365,662	3,365,662	3,316,654	(49,008)
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

INDEPENDENT
AUDITOR'S
COMMENTS

REEDSPORT COMMUNITY CHARTER SCHOOL
INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS
As of June 30, 2019

To the Governing Body of the Reedsport Community Charter School
Reedsport, Oregon

We have audited the basic financial statements of the Reedsport Community Charter School as of and for the year ended June 30, 2019 and have issued our report thereon dated October 30, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Reedsport Community Charter School'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 is 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.**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the School is 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.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the School'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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School internal control over financial reporting.

This report is intended solely for the information and use of the Board of Directors and management of Reedsport Community Charter School 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
October 30, 2019