

**REEDSPORT COMMUNITY CHARTER
SCHOOL
REEDSPORT, OREGON**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

WITH

INDEPENDENT AUDITOR'S REPORTS



Certified Public Accountants, LLP

audit | tax | advisory | wealth management | cfo

**REEDSPORT COMMUNITY CHARTER SCHOOL
REEDSPORT, OR
JUNE 30, 2021**

Board of Directors at June 30, 2021

Eric Brandon, Chair

Savanna Wright, Position 2

Greg Carter, Position 3

Carey Jones, Position 4, Vice Chair

Chuck Ostmeyer, Position 5

All Board Members receive mail at the address listed below.

Administration

Jon Zwemke, Superintendent

Jerry Uhling, Principal

Rachel Amos, Business Manager

Address of Reedsport Community Charter School
100 Ranch Road
Reedsport, OR 97467

**REEDSPORT COMMUNITY CHARTER SCHOOL
REEDSPORT, OR
JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Reedsport Community Charter School
Reedsport, OR

We have audited the accompanying financial statements of the governmental activities and the major fund of Reedsport Community Charter School (the School) (a component unit of Reedsport School District #105) as of and for the year ended June 30, 2021, 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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the School as of June 30, 2021, 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 be presented to supplement the basic financial statements. Management has omitted the management's discussion and analysis. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by State Regulations

In accordance with Oregon State Regulation, we have also issued our report dated December 2, 2021 on our consideration of the School's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-010-000 through 162-010-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Aria Bettinger, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
December 2, 2021

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**REEDSPORT COMMUNITY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities
	<hr/>
ASSETS	
TOTAL ASSETS	\$ <u> -</u>
LIABILITIES	
TOTAL LIABILITIES	<u> -</u>
NET POSITION	
TOTAL NET POSITION	<u><u> -</u></u>

**REEDSPORT COMMUNITY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 1,358,135	\$ -	\$ 2,000	\$ (1,356,135)
Support Services	2,036,752	-	-	(2,036,752)
Total government activities	<u>\$ 3,394,887</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>(3,392,887)</u>
General revenues:				
State school fund - general support				3,386,778
Miscellaneous				<u>6,109</u>
Total general revenues				<u>3,392,887</u>
CHANGE IN NET POSITION				-
NET POSITION - JULY 1, 2020				-
NET POSITION - JUNE 30, 2021				<u>\$ -</u>

FUND FINANCIAL STATEMENTS

**REEDSPORT COMMUNITY CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2021**

ASSETS

TOTAL ASSETS	\$	-

LIABILITIES AND FUND BALANCE

TOTAL LIABILITIES		-

TOTAL FUND BALANCE		-

TOTAL LIABILITIES AND FUND BALANCE		-

Reconciliation to Statement of Net Position

Net position of governmental activities	\$	-

**REEDSPORT COMMUNITY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2021**

REVENUES:

Intergovernmental	\$ 3,386,778
Local grants and contributions	2,000
Miscellaneous	<u>6,109</u>

TOTAL REVENUES	<u>3,394,887</u>
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EXPENDITURES:

Current:	
Instruction	1,358,135
Support services	<u>2,036,752</u>

TOTAL EXPENDITURES	<u>3,394,887</u>
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NET CHANGE IN FUND BALANCE	-
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FUND BALANCE, JULY 1, 2020	<u>-</u>
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FUND BALANCE, JUNE 30, 2021	<u>-</u>
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Reconciliation to Statement of Activities

Change in net position of governmental activities	<u><u>\$ -</u></u>
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NOTES TO BASIC FINANCIAL STATEMENTS

**REEDSPORT COMMUNITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Reedsport Community Charter School (the School) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Reporting Entity

The Reedsport Community Charter School (the School), a 501(c)(3) corporation, was incorporated as a non-profit corporation under ORS Chapter 338 and began operations in February 2010. The 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 Reedsport School District No. 105 (the District). Support comes from the State of Oregon through the District. The allocated portion of state school funding passed through the District is directly related to the School's expenditures. The School does not have any assets or liabilities as those are held by the District.

The Charter School is included as a blended component unit with the District because it is governed by a shared school board with the District. 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 more significant of the School's accounting policies are described below.

Basis of Presentation

Government – wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School. These statements include the governmental financial activities of the School. Governmental activities are financed primarily through payments of the State School Support passed through Reedsport School District No.105.

The Statement of Activities presents a comparison between direct expense and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function; therefore, are clearly identifiable to that function. Indirect expenses of the general government related to administration and support of the School's programs, such as personnel and accounting are allocated to programs based on their percentage of total primary government expenses. Program revenues may include: (1) charges to students or others for services, fees, rentals, material, or supplies that are provided, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including state support and earnings on investments, are presented as general revenues.

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

REEDSPORT COMMUNITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

The fund financial statements provide information about the School's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The School has only one fund, and that fund is a governmental fund which is reported as a major fund:

Charter School Fund - This fund, which operates as a General Fund, is the primary operating fund and accounts for all revenues and expenditures of the School. Activities include those related to the education of students in grades seven through twelve. The primary resource is State School Support passed through the District. Federal funds used at the School are recorded in the Special Revenue Fund of the District. All assets and liabilities are held by the District and are not reflected in the Charter School Fund.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School receives value without giving equal value in exchange include grants, entitlements, and donations which are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the School may fund certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, if there are both restricted and unrestricted net positions available to finance the program, it is the School's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e. when they become measurable and available) and expenditures are recorded at the time the related fund liabilities are incurred. Capital asset acquisitions and debt service payments are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Grants

Unreimbursed grant expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as unearned revenue.

Net Position/Fund Balance

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

**REEDSPORT COMMUNITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (continued)

Restricted net position - consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the School.

It is the School's policy to first use restricted net position prior to the use of unrestricted net position when an expenditure is incurred for purposes for which both restricted and unrestricted net position is available.

In the fund financial statements, governmental fund equity is classified in the following categories:

Non-Spendable - includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted - includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed - includes items committed by the School's Board of Directors, by formal board action.

Assigned - includes items assigned for specific uses, authorized by the School's management.

Unassigned - this is the residual classification used for those balances not assigned to another category.

The School has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable), and lastly unassigned fund balance. The School does not currently have a fund balance.

Budget

The School is not required under Oregon Local Budget Law to prepare a budget. Therefore, the required supplementary budget to actual schedule normally required under GAAP is not included with these financial statements. However, the School prepares a budget for control purposes only.

Use of Estimates

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

Income Tax Status

The School qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

REEDSPORT COMMUNITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (continued)

The School has adopted the income standard related to the recognition and measurement of uncertain tax positions. The adoption of this standard had no financial effect for the School. The School is no longer subject to examinations by major tax jurisdictions for the years prior to 2017.

Adoption of New GASB Pronouncements

During the fiscal year ended June 30, 2021, the District implemented the following GASB Pronouncement:

GASB Statement No. 84, *Fiduciary Activities*. Issued January 2017, this statement establishes criteria for identifying fiduciary activities of all state and local governments. The implementation of this pronouncement had no effect on the School's net position.

Future GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2021:

GASB Statement No. 87, *Leases*. Issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the School for fiscal year ending June 30, 2022.

GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This statement was issued June 2018 to establish accounting requirements for interest cost incurred before the end of a construction period. The objectives of the Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for the School for fiscal year ending June 30, 2022.

GASB Statement No 91, *Conduit Debt Obligations*. Issued May 2019, this statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. GASB Statement No. 91 will be effective for the School for fiscal year ending June 30, 2023.

The School is currently evaluating whether or not the above listed GASB pronouncements will have a significant impact to the School's financial statements.

NOTE 2 – UNCERTAINTIES

On March 13, 2020, the President of the United States declared a State of Emergency associated with the COVID-19 global pandemic. The impact of the State of Emergency and full ramifications to the economy and the School is not determinable at this time.

**REEDSPORT COMMUNITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

In the normal course of operations, the School is eligible to receive grant funds from Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with the condition's precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 4 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage in the past three years.

NOTE 5 – SUBSEQUENT EVENTS

Management of the School has evaluated events and transactions occurring after June 30, 2021 through December 2, 2021, the date of the financial statements were available for issuance, for recognition and/or disclosure in the financial statements.

Effective September 1, 2021 the District and the Charter School merged to become one legal entity, Reedsport Community Charter School.

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited the basic financial statements of Reedsport Community Charter School (the School) (a component unit of Reedsport School District #105) as of and for the year ended June 30, 2021, and have issued our report thereon dated December 2, 2021. 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 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 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the 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 but were not limited to the following:

- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.

In connection with our audit, nothing came to our attention that caused us to believe the School 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 Administration Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 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's internal control over financial reporting.

Restrictions on Use

This report is intended solely for the information and use of the Management of the School, Board of Directors, and Oregon Secretary of State, and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink that reads "Aria Bettinger". The signature is fluid and cursive, with the first name "Aria" and last name "Bettinger" clearly distinguishable.

Aria Bettinger, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
December 2, 2021