

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Curry County, Oregon

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017
WITH
INDEPENDENT AUDITOR'S REPORT



BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Curry County, Oregon
Year Ended June 30, 2017

Administrative Office
629 Easy Street
Brookings, Oregon 97415

BOARD OF DIRECTORS AS OF JUNE 30, 2017

Bruce Raleigh - Chairperson

Sue Gold - Vice-Chair

Katherine Johnson - Director

Sue Chambers - Director

Alice Farmer - Director

ADMINISTRATIVE STAFF

Sean Gallagher, Superintendent

Kathy McKee, Business Manager

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brookings-Harbor School District No. 17C
Curry County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Brookings-Harbor School District No. 17C, Oregon (the District) as of and for the year ended June 30, 2017, 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 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 each major fund of Brookings-Harbor School District No. 17C, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2017 the District had a restatement of beginning net position due to an error. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefits schedule, certain pension schedules, and the general fund, and major special revenue fund budgetary comparison schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Funding Progress, and Schedule of the District's Proportionate Share of the Net Position Asset/Liability and Schedule of the District's Contributions in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The general fund and major special revenue fund budgetary comparison schedules 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 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund and major special revenue fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the Table of Contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for additional analysis as required 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, and the schedule of expenditures of federal awards 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 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2017, on our consideration of the District'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 solely 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 the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

Other Reporting Required by the State of Oregon

In accordance with Oregon State Regulations, we have also issued our report dated December 21, 2017 on our consideration of the District'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 162-10-0000 through 162-10-0320 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.



Stewart Parmele CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 21, 2017

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Management's Discussion and Analysis
June 30, 2017

As management of Brookings Harbor School District No. 17-C (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes to those financial statements. It should also be noted that that all amounts included in text below are rounded for ease of reading.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the asset/deferred outflows of the District exceeded its liabilities/deferred inflows at June 30, 2017 by \$3.7 million. Of this amount, \$9.4 million represents the District's net investment in capital assets, \$34 thousand is restricted for scholarships, \$1.3 million is restricted for debt service and the negative balance of \$7.1 million is considered unrestricted.
- The District's total net position decreased by \$17 thousand during the year ended June 30, 2017. In the prior year, the District's total net position decreased by \$847 thousand. The District decreased its total expenditures from the prior year, \$18.5 to \$18.0 million. District revenues increased from the prior year, \$17.6 to \$18.6 million.
- The District's total debt decreased by \$1.49 million during the 2016-2017 fiscal year as a result of scheduled principal payments.
- At the end of the fiscal year, the combined fund balances for all governmental funds was \$7.89 million, an increase of \$327 thousand from the prior year. Approximately \$2.57 million of this amount is available for spending at the District's discretion.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$2.57 million, down from \$2.59 million in the prior year. Total fund balance in the General Fund represented about 19.0 percent of total General Fund expenditures, similar to the 19.0 percent in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements include:

The *Statement of Net Position*. The *statement of net position* presents information on all of the assets, deferred outflows, liabilities and deferred inflows of the District at year-end. Net position is the difference between assets/deferred outflows and liabilities/deferred inflows. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Management's Discussion and Analysis
June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide financial statements (continued)

The *Statement of Activities*. The *statement of activities* presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District's activities are shown in one category:

Governmental activities. All of the District's basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, and facilities acquisition and construction. These activities are primarily financed through property taxes, Oregon's State School Fund, and other intergovernmental revenues.

The government-wide financial statements can be found as listed in the Table of Contents of this report.

Fund financial statements

The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be categorized as governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Special Revenue, Debt Service, and Capital Projects Funds, all of which are considered major funds.

The basic governmental fund financial statements can be found as listed in the Table of Contents of this report.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Management's Discussion and Analysis
June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Notes to the basic financial statements

The *notes to the basic financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Information such as significant accounting policies and detail of certain assets/deferred outflows and liabilities/deferred inflows are included in the notes which should be read in conjunction with the basic financial statements. The notes can be found as listed in the Table of Contents of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information, other supplementary information and other financial schedules* as listed in the Table of Contents of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's, assets/deferred outflows exceeded liabilities/deferred inflows by \$3.74 million at June 30, 2017. At June 30, 2016 District assets were greater than liabilities by \$3.75 million.

Net Position
Governmental Activities
(in thousands)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Current and other assets	\$ 9,346	\$ 8,647
Capital assets	14,776	14,675
Total assets	<u>24,122</u>	<u>23,322</u>
Deferred outflows	<u>4,329</u>	<u>1,283</u>
Total assets and deferred outflows	<u>\$ 28,451</u>	<u>\$ 24,605</u>
Current liabilities	\$ 2,986	\$ 2,649
Other liabilities	8,772	2,552
Long-term debt	12,570	14,060
Total liabilities	<u>24,328</u>	<u>19,261</u>
Deferred inflows	<u>389</u>	<u>1,592</u>
Total liabilities and deferred inflows	<u>24,717</u>	<u>20,853</u>
Net position:		
Net investment in capital assets	9,423	8,185
Restricted for scholarships	60	34
Restricted for debt service	1,222	1,127
Unassigned	<u>(6,970)</u>	<u>(5,594)</u>
Total net position	<u>\$ 3,735</u>	<u>\$ 3,752</u>

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Management's Discussion and Analysis
June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

As noted earlier, net position may be an indicator of a government's financial position. At the end of the current year, the District has a positive net position balance. Net position increased by \$613 thousand from the prior year. The District's beginning net position was restated as a result of a \$630,138 adjustment due to an error in relation to its accounting for its 2002A Pension Obligations (see note 1 to the financials).

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 61 percent of total assets at June 30, 2017. The remaining assets consist mainly of cash and investments, grant and property taxes receivable, and inventories. At June 30, 2016, capital assets represented approximately 63.0 percent of total assets.

The District's largest liability (57.2 percent) is for the repayment of general obligation and PERS bonds. Current liabilities, representing about 12.3 percent of the District's total liabilities, consist almost entirely of payables on accounts, salaries and benefits, and the current portion of capital lease and bonded debt obligations. In the prior year, the repayment of general obligation and PERS bonds was also the District's largest liability and represented about 73.1 percent of total liabilities, while current liabilities represented about 13.8 percent of total liabilities.

A large portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, vehicles and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students and other District residents; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Management's Discussion and Analysis
June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Changes in Net Position
Governmental Activities
(in thousands)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Revenues:		
Program revenues:		
Charges for service	\$ 166	\$ 501
Operating grants and contributions	2,186	1,535
General revenues:		
Property taxes	6,809	6,565
State school fund - general support	8,359	7,774
Other federal, state and local sources	685	611
Earnings on investments	83	130
Other	354	517
Total revenues	<u>\$ 18,642</u>	<u>\$ 17,633</u>
Expenses:		
Instruction	\$ 10,151	\$ 10,072
Support Services	6,603	7,072
Enterprise and community services	653	625
Facilities acquisition and construction	-	
Interest on long-term debt	622	711
Total expenses	<u>\$ 18,029.00</u>	<u>\$ 18,480.00</u>
Change in net position	<u>\$ 613</u>	<u>\$ (847)</u>

During the current fiscal year, property tax revenues of \$6.81 million and state school support of \$8.36 million account for the significant revenues received.

As previously stated, all District activities are governmental in nature, and during the current fiscal year, the District's net position increased by 613 thousand. Governmental activities revenue totaled \$18.6 million in the current year, and consisted primarily of property taxes, state school support and intergovernmental operating grants. State school support and property taxes increased slightly, when compared to June 30, 2016.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Management's Discussion and Analysis
June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

At June 30, 2017, the District's governmental funds reported combined ending fund balances of \$7.89 million, an increase of \$327 thousand in comparison with the prior year. About \$2.57 million (32.5 percent) of the ending fund balance constitutes *unassigned ending fund balance*, which is available for spending at the District's discretion. An additional \$1.22 million (15.5 percent) is reserved for debt service obligations.

General Fund: The General Fund is the chief operating fund of the District. As of June 30, 2017, total fund balance was \$2.57 million, down \$23 thousand from the prior year. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. General fund balance represents about 18.4 percent of total General Fund expenditures.

Special Revenue Fund: The Special Revenue Fund had a total fund balance of \$3.81 million, \$34 thousand is restricted for scholarships, \$3.13 million is committed and \$654 thousand is assigned.

Debt Service Fund: The Debt Service Fund has a total fund balance of \$1.22 million, all of which is restricted for the payment of debt service.

Capital Projects Fund: The Capital Projects Fund has a total fund balance of \$289 thousand, all of which is committed for ongoing capital projects.

CURRENT ECONOMIC FACTORS

In conclusion through careful strategic planning and management of our current resources, the Brookings Harbor School District will be able to continue to provide the same high level of services to our student population.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Director Fiscal Services, Kathy McKee, at 629 Easy Street, Brookings, Oregon 97415.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**BROOKINGS-HARBOR SCHOOL DISTRICT 17C
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 8,011,271
Receivables	1,311,748
Inventories	23,161
Capital assets, net	
Land	212,401
Construction in Progress	457,996
Buildings and improvements	13,089,896
Vehicles and equipment	1,015,765
TOTAL ASSETS	<u>24,122,238</u>
Deferred outflows of resources	
Deferred amounts related to pensions	4,329,343
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>28,451,581</u>
LIABILITIES:	
Accounts payable	333,921
Accrued salaries and benefits	481,309
Accrued interest payable	539,903
Accrued compensated absences payable	25,108
Net Pension Liability	8,187,479
Other post employment obligation (OPEB)	584,252
Capital lease payable:	
Due within one year	77,032
Due in more than one year	160,909
Bonds payable:	
Due within one year	1,529,093
Due in more than one year	12,409,555
TOTAL LIABILITIES	<u>24,328,561</u>
Deferred inflows of resources	
Deferred amounts related to pensions	388,590
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>24,717,151</u>
NET POSITION:	
Net investment in capital assets	9,423,117
Restricted for scholarship	34,103
Restricted for debt service	1,341,598
Unrestricted	(7,064,388)
TOTAL NET POSITION	<u>\$ 3,734,430</u>

**BROOKINGS-HARBOR SCHOOL DISTRICT 17C
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 10,151,590	\$ 56,823	\$ 844,144	\$ -	\$ (9,250,624)
Supporting services	6,603,220	39,776	364,239	-	(6,199,205)
Enterprise and community services	653,270	58,086	560,337	-	(34,847)
Facilities acquisition and construction	-	-	-	457,996	457,996
Interest on long-term debt	621,741	-	-	-	(621,741)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total government activities	\$ 18,029,821	\$ 154,685	\$ 1,768,720	\$ 457,996	(15,648,420)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
General revenues:					
Property taxes levied for general purposes					5,485,073
Property taxes levied for debt service					1,323,887
Tax receipt from other government					456,800
State school fund - general support					8,358,666
Common school fund					171,997
Federal forest fees					26,618
Earnings on investments					83,022
Miscellaneous					355,049
					<u> </u>
Total general revenues					16,261,112
					<u> </u>
CHANGE IN NET POSITION					612,692
Net Position - July 1, 2016 (as restated)					<u>3,121,738</u>
Net Position - June 30, 2017					<u>\$ 3,734,430</u>

FUND FINANCIAL STATEMENTS

**BROOKINGS-HARBOR SCHOOL DISTRICT 17C
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS					
Cash and investments	\$ 2,831,811	\$ 3,727,725	\$ 1,205,333	\$ 246,402	\$ 8,011,271
Receivables	708,585	94,260	136,265	372,638	1,311,748
TOTAL ASSETS	<u>\$ 3,540,396</u>	<u>\$ 3,821,985</u>	<u>\$ 1,341,598</u>	<u>\$ 619,040</u>	<u>\$ 9,323,019</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 4,585	\$ -	\$ 329,336	\$ 333,921
Accrued salaries and benefits	481,309	-	-	-	481,309
TOTAL LIABILITIES	<u>481,309</u>	<u>4,585</u>	<u>-</u>	<u>329,336</u>	<u>815,230</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	493,369	-	120,086	-	613,455
TOTAL DEFERRED INFLOWS	<u>493,369</u>	<u>-</u>	<u>120,086</u>	<u>-</u>	<u>613,455</u>
Fund Balances:					
Restricted for debt service	-	-	1,221,512	-	1,221,512
Restricted for scholarships	-	34,103	-	-	34,103
Committed	-	3,129,327	-	289,704	3,419,031
Assigned	-	653,970	-	-	653,970
Unassigned	2,565,718	-	-	-	2,565,718
TOTAL FUND BALANCES	<u>2,565,718</u>	<u>3,817,400</u>	<u>1,221,512</u>	<u>289,704</u>	<u>7,894,334</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,540,396</u>	<u>\$ 3,821,985</u>	<u>\$ 1,341,598</u>	<u>\$ 619,040</u>	<u>\$ 9,323,019</u>

**BROOKINGS-HARBOR SCHOOL DISTRICT 17C
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2017**

TOTAL FUND BALANCES		\$ 7,894,334
Inventory is not reported as a governmental fund asset under the purchase method of accounting for inventory		23,161
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	24,809,008	
Accumulated depreciation	<u>(10,032,950)</u>	14,776,058
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		613,455
The net deferred outflow/(inflow) associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.		3,940,753
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(539,903)	
Capital lease payable	(237,941)	
Bonds payable	(13,938,648)	
Compensated absences payable	<u>(25,108)</u>	(14,741,600)
The asset (liability) associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.		(8,187,479)
The other post employment benefit (OPEB) liability obligation is not reported with the governmental funds.		<u>(584,252)</u>
TOTAL NET POSITION		<u><u>\$ 3,734,430</u></u>

**BROOKINGS-HARBOR SCHOOL DISTRICT 17C
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2017**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES					
Property taxes	\$ 5,441,726	\$ -	\$ 1,311,558	\$ -	\$ 6,753,284
Charges for services	96,869	57,816	-	-	154,685
Interest on investments	12,540	20,271	46,826	3,385	83,022
Local grants and contributions	-	10,017	-	-	10,017
Miscellaneous	58,747	297,929	-	-	356,676
Intergovernmental	9,043,468	1,579,820	-	457,996	11,081,284
TOTAL REVENUES	14,653,350	1,965,853	1,358,384	461,381	18,438,968
EXPENDITURES					
Current					
Instruction	8,217,279	1,414,641	-	-	9,631,920
Support services	5,702,461	503,989	-	-	6,206,450
Enterprise and community services	-	570,163	-	-	570,163
Facilities acquisition	-	-	-	470,690	470,690
Debt service	-	116,139	1,264,037	-	1,380,176
TOTAL EXPENDITURES	13,919,740	2,604,932	1,264,037	470,690	18,259,399
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	733,610	(639,079)	94,347	(9,309)	179,569
OTHER FINANCING SOURCES (USES):					
Proceeds from debt	-	147,869	-	-	147,869
Transfers in	-	757,000	-	-	757,000
Transfers out	(757,000)	-	-	-	(757,000)
TOTAL OTHER FINANCING SOURCES (USES)	(757,000)	904,869	-	-	147,869
NET CHANGE IN FUND BALANCES	(23,390)	265,790	94,347	(9,309)	327,438
FUND BALANCE, July 1, 2016	2,589,108	3,551,610	1,127,165	299,013	7,566,896
FUND BALANCE, June 30, 2017	\$ 2,565,718	\$ 3,817,400	\$ 1,221,512	\$ 289,704	\$ 7,894,334

**BROOKINGS-HARBOR SCHOOL DISTRICT 17C
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2017**

NET CHANGE IN FUND BALANCE		\$ 327,438
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Governmental funds do not report inventory balances under the purchase method of accounting for inventory while the Statement of Net Position does. This is the change in inventory in the current period.		(21,676)
Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Expenditures for capital assets	622,365	
Less current year depreciation	<u>(521,663)</u>	100,702
In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expense when due.		96,903
Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expenditure when earned.		(1,652)
Early retirement benefits are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities early retirement benefits are recognized as an expenditure when earned.		2,218
Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position. This is the amount by which repayments exceeded proceeds:		
Principal paid on capital lease obligations	110,482	
Principal paid on long-term general obligation debt	1,462,861	
Principal paid on note payable obligation	12,694	
Proceeds from capital lease	<u>(147,869)</u>	1,438,168
Governmental funds report pension contributions as expenditures. In the statement of activities, the cost of pension benefits earned (actuarially determined) net of employee contributions is reported as either pension expense or income. This is the net change in pension related items.		(1,385,085)
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.		<u>55,676</u>
CHANGE IN NET POSITION		\$ <u>612,692</u>

NOTES TO BASIC FINANCIAL STATEMENTS

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies

The financial statements of Brookings-Harbor School District No. 17C (the District), Oregon have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The more significant of the District's accounting policies are described below.

The Reporting Entity

Brookings-Harbor School District No. 17C, Curry County, Oregon, was organized under 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 (Board) who approves 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.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts which provide service within the District's boundaries. However, the District is not financial accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements.

The more significant of the District'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 District. These statements include the governmental financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or others for tuition, fees, rentals, materials, supplies or services provided, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

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

Fund Financial Statements

The fund financial statements provide information about the District'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. All the District's funds are categorized as major funds.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

The District reports the following major governmental funds:

General Fund – The General Fund is the District's primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund.

Special Revenue Fund – The Special Revenue Fund accounts for revenues and expenditures of grants restricted for specific educational purposes and student related activities. Principal revenue sources are federal and state grants.

Debt Service Fund – The Debt Service Fund provides for the payment of principal and interest on general obligation bonded debt. Principal revenue source is property taxes.

Capital Projects Fund – The Capital Projects Fund accounts for the acquisition, construction and maintenance of improvements within the District. Principal revenue source is proceeds from general obligation bonds, investment earnings and a state seismic grant.

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 District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, and there are both restricted and unrestricted net position available to finance the program, it is the District'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 when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions 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.

Cash, Cash Equivalents and Investments

The District's cash and cash equivalents consist of cash on hand and demand deposits.

The District's investments, authorized under state statute, consist of the State of Oregon Treasurer's Local Government Investment Pool (LGIP), municipal bond unit funds, and fixed income mutual funds. 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.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents and Investments (continued)

The Oregon State Treasury administers the LGIP. It is an open-ended no-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 commingled with the State's short-term funds. 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. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895).

Property Taxes Receivable

Ad valorem property taxes are levied on all taxable property as of January 1 preceding the beginning of the fiscal year. Property taxes become a lien on July 1 for personal property and real property. Property taxes are levied on July 1. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 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 uncollectible taxes has been established.

Accounts and Other Receivables

Accounts and other receivables consist primarily of charges for services, claims for reimbursement of costs under various federal and state grant programs and refunds of prior year expenditures.

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.

Inventories

Inventories consist of supplies held for sale. In the government-wide financial statements, inventories are stated at cost using the first-in, first-out (FIFO) method. In the fund financial statements, inventory is reported using the purchase method where purchases are charged to expense when purchased.

A portion of the inventory consists of donated United States Department of Agriculture (USDA) commodities. Commodities are recorded as expenditures when consumed and are stated at their fair market value based on guidelines provided by the USDA.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements – 10 to 50 years
Equipment and vehicles – 3 to 20 years

Post-Employment Benefits

The District's other post-employment benefit plan (OPEB) includes an implicit rate subsidy for medical insurance. GAAP requires at least biennial actuarial valuations of the District's OPEB. This valuation includes both eligible active employees and retirees. With each valuation, the net OPEB obligation or asset is determined, as well as an annual OPEB cost, which the District records in the government-wide financial statements.

Retirement Plans

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (OPERS). Contributions to OPERS are made on a current basis as required by the plan and are charged as expenses/expenditures.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements 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. The District has only one type of deferred outflow (deferred amounts related to pensions), which arises only under the full accrual basis of accounting that qualifies for reporting in this category. Accordingly, this deferred outflow is reported only in the government-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition on net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of deferred inflows, one which arises only under the modified accrual basis of accounting (unavailable revenues) and another that is reported under the full accrual basis of accounting (deferred amounts related to pensions). Accordingly, unavailable revenue, is reported only in the governmental funds balance sheet, and deferred amounts related to pensions, is reported in the government-wide statement of net position.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Long-term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, bond premiums and discounts are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures when incurred.

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 increase by balances of deferred outflows of resources related to those assets.

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 District.

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 District's Board of Directors, by formal board action.

Assigned – Includes items assigned for specific uses, authorized by the District's Superintendent and/or Business Manager

Unassigned – This is the residual classification used for those balances not included in another category.

Budget

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. This budgetary basis of accounting is different than accounting principles generally accepted in the United States of America (GAAP). The major differences between the budgetary and GAAP basis of accounting are that capital outlay and other long-term assets, and debt principal and other long-term liabilities, are included as budgeted expenditures in the governmental fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Budget (continued)

Appropriations are established at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detail budget document, however, is required to contain more specific,

detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and or appropriation resolution.

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget appropriation requires hearings before the public, publication in newspapers, and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers within a fund between the levels of control (major function levels) with Board approval.

Excess of expenditures over appropriations - During the fiscal year ended June 30, 2017, the District was in compliance with Local Budget Law, except as follows:

The District over expended in the Special Revenue Fund in the Support Services category by \$708, and the Debt Service category by \$6,139.

Budget Officer compliance - During the fiscal year ended June 30, 2017, the District was in compliance with Local Budget Law, except as follows:

The District is required to publish notice of budget meeting of budget committee including notice of where a copy of the budget is available (ORS 294.426(5)). The notice if published in a newspaper of general circulation only, must be published at least two separate times, not more than 30 days before the meeting date and not less than five days before the meeting date. The notice may be published once in a newspaper, not more than 30 days before the meeting date and not less than five days before the meeting date, and once on the District's Internet website, in a prominent manner and maintained on the website for at least 10 days before the meeting date. The newspaper notice must contain the Internet website address at which the notice is posted.

The District published notice of budget committee meeting in a local newspaper six and three days prior to the meeting, with no Internet website listed in the separate notices published.

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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

New GASB Pronouncements Adopted

During the fiscal year ended June 30, 2017, the District implemented the following GASB Pronouncements:

GASB Statement No. 72, *Fair Value Measurement and Application*. Issued February 2015, this statement establishes accounting and financial reporting standards for fair value measurements, the level of fair value hierarchy, and valuation techniques. GASB Statement No. 72 was implemented for the District for fiscal year ending June 30, 2017. Since the District invests in short-term investments that are traded in active markets, implementation did not result in a change in valuation; but *Note 2. Cash and Investments* has been modified to provide the new disclosures required by this Statement.

GASB Statement No. 77, *Tax Abatement Disclosures*. Issued August 2015, this statement requires governments that enter into tax abatement agreements to disclose information about those agreements. GASB Statement No. 77 was implemented by the District for the fiscal year ended June 30, 2017.

Future GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2017:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, supersedes GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The principal objective of GASB 75 is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees (both active and inactive) are provided with postemployment benefits other than pensions (i.e. Medical Benefits). GASB 75 is effective for financial statements for fiscal years beginning after June 15, 2017 (earlier application was encouraged).

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. Issued January 2016, this statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. Issued March 2016, this statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB 81 will be effective for the District, fiscal year ending June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. Issued November 2016, this statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). GASB 83 will be effective for the District, fiscal year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities*. Issued January 2017, this statement establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 will be effective for the District, fiscal year ending June 30, 2020.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Future GASB Pronouncements (continued)

GASB Statement No. 85, *Omnibus 2017*. Issued March 2017, this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as good will and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contract at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

GASB Statement No. 85 will be effective for the District, fiscal year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. Issued May 2017, the purpose of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is deceased in substance. GASB Statement No. 86 will be effective for the District, fiscal year ending June 30, 2018.

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 District for fiscal year ending June 30, 2021.

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

Restatement of Beginning Net Position

During the year ended June 30, 2017, the District identified an error in relation to its accounting for its 2002A Pension Obligations. The result of the restatement was a \$630,138 reduction in the beginning net position and an increase to its accrued interest liability.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 2 - Cash and Investments

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments."

Cash and investments are comprised of the following as of June 30, 2017:

Demand Deposits	\$ 1,315,394
Investments:	
Local Government Investment Pool	4,821,651
Municipal Bond Unit Trusts	388,838
Mutual Funds	1,288,636
Money Market	182,214
Cash held for investment	14,538
	\$ 8,011,271

Deposits - The Governmental Accounting Standards Boards has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the District at June 30, 2017. If bank deposits at year end are not entirely insured or collateralized with securities held by the District or by its agent in the District's name, the District must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295. For the fiscal year ended June 30, 2017, the carrying amounts of the District's deposits in various qualifying financial institutions were \$1,315,394 and the bank balances were \$1,821,095. All deposits are held in the name of the District. Of the bank balance, \$1,571,095 is not covered by FDIC insurance. However, the balance is covered by the State of Oregon shared liability structure for participating bank depositories in Oregon, as identified by the State's Treasurer.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of the quarter-end public fund deposits if they are adequately capitalized, or 110% of the quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of governmental entities.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk.

Investments - The District has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2017. The Oregon Short-term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an external investment pool managed by the State Treasurer's office, which allow governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB statement No. 40. LGIP is not rated.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 2 - Cash and Investments (continued)

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the District's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the District's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool. As of June 30, 2017 and for the year then ended, the District was in compliance with the aforementioned State of Oregon statutes.

Credit Risk - State Statutes authorize the District to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker's acceptances, certain commercial papers, and the State Treasurer's Investment Pool, among others. The District has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The District has no such investments.

Interest Rate Risk. The District has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Disclosures about Fair Value of Assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 - Unadjusted inputs using quoted prices in active markets for identical investments.

Level 2 - Other significant observable inputs other than level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.

Level 3 - Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 2 - Cash and Investments (continued)

Investments Measured at Fair Value:	Totals as of 6/30/2017	Level One	Level Two	Level Three	Amortized Cost Measurement Not Measured at Fair Value
Local Government Investment Pool	\$ 4,821,651	\$ -	\$ -	\$ -	\$ 4,821,651
Municipal Bond Unit Trusts	388,838	-	388,838	-	-
Mutual Funds	1,288,636	1,288,636	-	-	-
Money Market	182,214	182,214	-	-	-
Cash held for investment	14,538	14,538	-	-	-
	<u>\$ 6,695,877</u>	<u>1,485,388</u>	<u>\$ 388,838</u>	<u>-</u>	<u>\$ 4,821,651</u>

Note 3 - Receivables

Receivables are comprised of the following as of June 30, 2017:

	Property Taxes	Grants	Other	Total
General Fund	\$ 559,517	\$ -	\$ 149,068	\$ 708,585
Special Revenue Fund	-	94,260	-	94,260
Debt Service Fund	136,265	-	-	136,265
Capital Projects Fund	-	372,638	-	372,638
	<u>\$ 695,782</u>	<u>\$ 466,898</u>	<u>\$ 149,068</u>	<u>\$ 1,311,748</u>

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 4 - Capital Assets

The changes in capital assets for the year ended June 30, 2017, are as follows:

	Balance July 1, 2016	Additions	Disposals / Transfers	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 212,401	\$ -	\$ -	\$ 212,401
Construction in Progress	-	457,996	-	457,996
Total capital assets not beng depreciated	\$ 212,401	\$ 457,996	\$ -	\$ 670,397
Capital assets being depreciated:				
Buildings	\$20,052,834	\$ -	\$ -	\$ 20,052,834
Building Improvements	1,733,901	-	-	1,733,901
Machinery & Equipment	555,427	-	-	555,427
Vehicles	1,632,080	164,369	-	1,796,449
Total capital assets being depreciated	23,974,242	164,369	-	24,138,611
Less accumulated depreciation for:				
Buildings	(6,867,520)	(379,736)	-	(7,247,256)
Building Improvements	(1,413,523)	(36,060)	-	(1,449,583)
Machinery & Equipment	(473,764)	(14,147)	-	(487,911)
Vehicles	(756,480)	(91,720)	-	(848,200)
Total accumulated depreciation	(9,511,287)	(521,663)	-	(10,032,950)
Total capital assets (net)				
Land	212,401	-	-	212,401
Constuction in Progress	-	457,996	-	457,996
Buildings	13,185,314	(379,736)	-	12,805,578
Building Improvements	320,378	(36,060)	-	284,318
Machinery & Equipment	81,663	(14,147)	-	67,516
Vehicles	875,600	72,649	-	948,249
Total capital assets (net)	\$14,675,356	\$ 100,702	\$ -	\$ 14,776,058

Depreciation expense for the year was charged to the following programs:

Program:	
Instruction	\$ 300,989
Supporting Services	200,796
Community Services	19,878
Total	\$ 521,663

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 5 - Unavailable/Unearned Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Amounts received in advance of the period in which services are performed and recorded in unearned revenue. At June 30, 2017, the components of unearned revenue included in the governmental funds' Balance Sheet consist of the following:

	<u>Unavailable</u>
Property taxes:	
General fund	\$ 493,369
Debt service fund	120,086
Total Unavailable Revenue	<u>\$ 613,455</u>

Note 6 - Interfund Transfers

The composition of interfund transfers as of June 30, 2017:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ (757,000)
Special Revenue Fund	(757,000)	-
Total Transfers	<u>\$ (757,000)</u>	<u>\$ (757,000)</u>

The District made budgeted transfers from the General Fund to the Special Revenue Fund that included \$110,000 to the transportation equipment program, \$37,000 to the Food Service program, \$200,000 to the Student Activity program, \$40,000 to the Middle School Athletic Fund, \$190,000 to the Facility Maintenance program, and \$180,000 to the Textbook Adoption program. All of the transfers made are to support the operations and activities of the associated program.

Note 7 - Operating Leases

The District leases copiers and a postage machine under non-cancellable operating leases. Total costs for such leases were \$36,644 for the year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

Year Ending June 30,		
2018	\$	35,684
2019		15,793
2020		13,548
2021		486
	<u>\$</u>	<u>65,511</u>

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 8 - Capital Leases

In prior years the District has entered into lease agreements as lessee for financing the acquisition of school buses. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The buses are included in the District's capital assets. The total bus lease principal payments for the year ending June 30, 2017 were \$110,482. The cost of the leased buses totaled \$544,955, with accumulated depreciation of \$81,682, and a net book value of \$463,273 as of the year ended June 30, 2017.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Year Ending June 30	
2018	\$ 82,886
2019	82,886
2020	53,670
2021	<u>31,085</u>
Total minimum lease payments	250,527
Less: amount representing interest	<u>(12,586)</u>
	<u>\$ 237,941</u>

During the fiscal year ended June 30, 2017, \$5,656 of interest was charged to expense related to capitalized leases payable.

Note 9 - Note Payable

On August 30, 1990, the District entered into a Deferred Improvement Agreement (DIA) with the City of Brookings, Oregon (City). The DIA obligates the District to construct, at its sole cost and expense, certain improvements along specific City streets fronting the District's properties. During the year ended June 30, 2015, the City completed a grant-funded project to reconstruct and install curb, gutter, sidewalk, and drainage improvements at multiple District owned locations. On November 5, 2014, the District agreed to pay one-half of the local share of the project, or \$38,094, in three annual installments. On December 9, 2017, the District paid \$12,694 as the third and final installment on the note payable.

Note 10 - Long-term Debt

Series 2013 General Obligation Refunding Bonds

On March 19, 2013, the District refunded its 2004 General Obligation Refunding Bonds. The District shall levy annually as provided by law a direct ad valorem tax upon all taxable property within the District in a sufficient amount to pay the principal and interest on the bonds as they become due. Interest on this debt is due semiannually on June 15 and December 15 of each year to maturity. Interest expense for the fiscal year was \$88,545.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 10 - Long-term Debt (continued)

Future maturities of the General Obligation *Refunding* Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total	Interest Rate
2018	\$ 1,210,000	\$ 77,292	\$ 1,287,292	1.174%
2019	1,250,000	60,976	1,310,976	1.474%
2020	1,295,000	40,135	1,335,135	1.796%
2021	1,360,000	14,253	1,374,253	2.096%
	<u>\$ 5,115,000</u>	<u>\$ 192,656</u>	<u>\$ 5,307,656</u>	

Series 2002 Obligations

In October of 2002, the District participated in a pooled issuance of Series 2002A limited tax deferred interest obligations, and Series 2002B limited tax pension obligations. Certain Oregon school districts and education service districts issued limited tax obligations (Pension Obligation), the proceeds of which were used to finance a portion of the estimated unfunded actuarial liability of each issuer with the Oregon Public Employees Retirement System (PERS). The full faith and credit of the District was pledged for the punctual payment of the principal of and interest on its Pension Obligation, and debt service on the Pension Obligation is not subject to annual appropriation. The Pension Obligation is further secured by an Intercept Agreement under which an amount equal to the debt service on each issuer's Pension Obligation will be diverted from State Education Revenues.

The 2002A Obligations were issued in the aggregate original principal amount of \$1,526,455. Interest on the 2002A Obligations will be payable only at maturity (maturity dates range from 6/30/2004 to 6/30/2020), and will be compounded semiannually (for the accreted value of the Obligations of each maturity as of each June 30 and December 30). Interest on the 2002A Obligations ranges between 2.06% and 6.10% based upon the maturity date. The 2002A Obligations were not subject to optional prepayment prior to maturity.

The 2002B Obligations were issued in the aggregate original principal amount of \$4,490,000. Interest on the 2002B Obligations is payable semiannually June 30 and December 30 of each year until maturity (maturity dates range from 6/30/2021 to 6/30/2028). Interest on the 2002B Obligations range between 5.49% and 5.55% based upon maturity date. The 2002B Obligations maturing on June 30, 2021 are subject to prepayment prior to maturity, on or after June 30, 2007, in whole or in part. The Series 2002B Obligation maturing on June 30, 2028 is subject to mandatory prepayment prior to its stated maturity, in part, pro rata amounts the owners of the 2028 Term Obligation, on any June 30 on or after June 30, 2024, at the principal amount thereof together with accrued interest thereon to the date of prepayment, solely from mandatory sinking fund payments.

Series 2004 Obligations

In February of 2004, the District participated in a pooled issuance of Series 2004 limited tax pension obligations. Certain Oregon school districts and education service districts issued limited tax obligations (Pension Obligation), the proceeds of which were used to finance a portion of the estimated unfunded actuarial liability of each issuer with the Oregon Public Employees Retirement System (PERS). The full faith and credit of the District was pledged for the punctual payment of the principal of and interest on its Pension Obligation, and debt service on the Pension Obligation is not subject to annual appropriation.

The Pension Obligation is further secured by an Intercept Agreement under which an amount equal to the debt service on each issuer's Pension Obligation will be diverted from State Education Revenues.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 10 - Long-term Debt (continued)

The 2004 Obligations were issued in the aggregate original principal amount of \$4,655,000. Interest on the 2004 Obligations is payable semiannually on June 30 and December 30 of each year until maturity (maturity dates range from 6/30/2009 to 6/30/2028). Interest on the 2004 Obligations range between 3.66% and 5.53% based upon maturity date. The 2004 Obligations are subject to prepayment as further described in the official statement.

Series 2012 Obligations

In August of 2011, the District advance refunded the 2021 debt service requirements included in the original 2002B Bond issue. The advance refunding was evaluated based on standards for advance refunding in the State of Oregon. The full faith and credit of the District was pledged for the punctual payment of the principal of and interest on its Pension Obligation, and debt service on the Pension Obligation is not subject to annual appropriation. The Pension Obligation is further secured by an Intercept Agreement under which an amount equal to the debt service on each issuer's Pension Obligation will be diverted from State Education Revenues.

The 2012 Obligations were issued in the aggregate original principal amount of \$425,000. Interest on the 2012 Obligations is payable semiannually on June 30 and December 30 of each year to the maturity (matures on 6/30/2021) of the Series 2012 Obligations. Interest on the 2012 Obligations is computed at 2.75% per annum.

Pension Obligations General Note

Future maturities of the Pension Obligations are as follows:

Fiscal Year Ending June 30,	Series 2002 Principal	Series 2004 Principal	Series 2012 Principal	Total Principal	Series 2002 Interest	Series 2004 Interest	Series 2012 Interest	Total Interest
2018	\$ 124,093	\$ 195,000	\$ -	\$ 319,093	\$ 410,891	\$ 216,687	\$ 11,687	\$ 639,265
2019	126,521	225,000	-	351,521	438,462	206,502	11,687	656,651
2020	128,034	255,000	-	383,034	466,996	194,526	11,688	673,210
2021	-	295,000	425,000	720,000	224,983	180,824	11,688	417,495
2022	455,000	335,000	-	790,000	224,983	164,826	-	389,809
2023-2027	3,240,000	2,375,000	-	5,615,000	681,235	498,812	-	1,180,047
2028-2032	370,000	275,000	-	645,000	20,535	15,202	-	35,737
Total	\$ 4,443,648	\$ 3,955,000	\$ 425,000	\$ 8,823,648	\$2,468,085	\$1,477,379	\$ 46,750	\$ 3,992,214

Changes in long-term debt for the year ended June 30, 2017, are as follows:

Issue:	Original Issue	Outstanding July 1, 2016	Issued	Matured	Outstanding June 30, 2017
General Obligation Bonds					
Series 2013	\$ 7,735,000	\$ 6,290,000	\$ -	\$ (1,175,000)	\$ 5,115,000
Total General Obligation Bonds		6,290,000	-	(1,175,000)	5,115,000
Pension Obligations					
Series 2002	6,016,455	4,566,509	-	(122,861)	4,443,648
Series 2004	4,655,000	4,120,000	-	(165,000)	3,955,000
Series 2012	425,000	425,000	-	-	425,000
Total Pension Obligations		9,111,509	-	(287,861)	8,823,648
Total Long Term Debt		\$ 15,401,509	\$ -	\$ (1,462,861)	\$13,938,648

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 11 - Compensated Absences

During the fiscal year ended June 30, 2017, the following changes occurred in compensated absences reported in the Statement of Net Position:

	Balance 6/30/2016	Additions	Reclassifications/ Reductions	Balance 6/30/2017	Due Within One Year
Compensated absences	\$ 23,456	\$ 47,354	\$ (45,702)	\$ 25,108	\$ 25,108

Note 12 - Post Employment Benefits Other Than Pensions (OPEB)

Postemployment Health Insurance Implicit Subsidy

Plan Description - The District operates a single-employer retiree benefit plan that provides postemployment health, dental and vision coverage and life insurance benefits to eligible employees and their spouses.

This program was established in accordance with Oregon Revised Statutes (ORS) 243.303, which requires that all eligible retirees be allowed to continue receiving health insurance benefits, at their cost, until age 65 or they become otherwise eligible for Medicare. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based upon all plan members, including active members and retirees.

Due to medical premium rates being determined by blending both active employee and retiree experience, there is an implicit medical benefit to retirees because the medical premium rates charged for coverage typically are less than actual expected retiree claim costs. Qualified spouses, domestic partners, and children may qualify for coverage. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution.

Funding Policy - The benefits from this program are paid by the District and retirees on a pay-as-you-go basis. There is no obligation on the part of the District to fund these benefits in advance.

Annual OPEB Cost and Net OPEB Obligation - The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. 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) over a period not to exceed 15 years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 12 - Post Employment Benefits Other Than Pensions (OPEB) (continued)

Annual Required Contribution	\$ 133,506
Earnings on investments	20,526
Adjustments to annual required contribution	<u>(70,518)</u>
Annual required contribution (ARC) and annual OPEB cost (expense)	83,514
Less: Implicit Benefit Payments	<u>(85,732)</u>
Increase/(decrease) in net OPEB obligation	(2,218)
Net OPEB obligation - beginning of year	<u>586,470</u>
Net OPEB obligation - end of year	<u><u>\$ 584,252</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ending June 30, 2017, 2016, and 2015 are:

Fiscal year	Annual OPEB Cost	Contributions	Funded Ratio	Net OPEB Obligation
2017	\$ 83,514	\$ 85,732	103%	\$ 584,252
2016	82,359	94,925	115%	586,470
2015	151,627	84,534	56%	599,036

Actuarial methods and assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions included: (1) an assumed inflation rate of 2.5% and an assumed health care premium inflation rate of 5.75% in 2015-16 grading down to 5.25% in 45 years, (2) range of retirement age for employees with fewer, and more, than 30 years of service, (3) turnover and disability rates by age and years of service, as developed by Oregon PERS, (4) marital status, (5) coverage of eligible children, (6) discount rate of 3.5%.

Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits. The schedule of funding progress is required to report the last three actuarial valuations, which are October 1, 2009, October 1, 2012, and October 1, 2015.

The actuarial cost method used to determine the District's OPEB liability is the Projected Unit Credit Method. The Projected Unit Credit Method is comprised of two components: normal cost, and amortization payments. In its application of this method the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

The present value of benefits accrued as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded actuarial accrued liability (UAAL). All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial data are amortized separately. In additions, all gains or losses may be amortized each year. The UAAL is being amortized as a level percentage of payroll over future open periods.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 12 - Post Employment Benefits Other Than Pensions (OPEB) (continued)

Funded Status and Funding Progress - As of October 1, 2015 the actuarial accrued liability for benefits was \$707,679 and the actuarial value of assets was \$0, resulting in a UAAL of \$707,679. The covered payroll (annual payroll of active employees covered by the plan) was \$7.5 million for fiscal year 2015 and the ratio of the UAAL to the covered payroll was 9%. Using a 15-year amortization period, the Annual Required Contribution (ARC) for 2017 has been actuarially determined to be \$133,506.

Note 13 - Pension and Retirement Plans

Tax Sheltered Annuity Plan -

The District offers its employees a tax deferred annuity program established pursuant to Section 403(b) of the Internal Revenue Code (the Code), and deferred compensation program pursuant to Section 457 of the Internal Revenue Code. Contributions are made through salary reductions from participating employees up to the amounts specified in the Code. The District provides no matching component for employee contributions other than for the superintendent.

OPERS Plan -

Plan Description - Employees are provided pensions as participants under one or more plans currently available through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan in accordance with Oregon Revised Statutes Chapter 238, Chapter 23A, and Internal Revenue Service Code Section 401(a).

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

The ORS Chapter 238 Defined Benefit Plan was closed to new members hired on or after August 29, 2003. In 1995, the Oregon Legislature created a second tier of benefits for those who became OPERS Program members after 1995 but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

Beginning January 1, 2004, all employees who were active members of OPERS became members of the OPSRP IAP Program. OPERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. OPERS plan members retain their existing OPERS accounts; however, member contributions after January 1, 2004 are deposited in the member's IAP, not into the member's OPERS account.

Plan Benefits - All benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapter 238 and 238A.

Tier One/Tier Two Retirement Benefit (Chapter 238) -

Pension Benefits - The OPERS 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 (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 13 - Pension and Retirement Plans (continued)

Benefits may also be calculated under 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. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan was 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:

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

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% of the member's salary determined as of the last full month of employment before the disability occurred.

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 (COLA). The COLA is capped at 2.0%.

OPSRP Pension Program (Chapter 238A) -

Pension Benefits - The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

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

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 13 - Pension and Retirement Plans (continued)

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 adjustment (COLA). The COLA is capped at 2.0%.

Contributions –

PERS' funding policy provides for periodic member and employer contributions at rates established by the Public Employees Retirement Board, subject to limits set in statute. The rates established for member and employer contributions were approved based on the recommendations of the System's third-party actuary.

The District's employer contributions for the year ended June 30, 2017 were \$116,975, excluding amounts to fund employer specific liabilities. The contribution rates in effect for the fiscal year ended June 30, 2017 for each pension program were: Tier1/Tier 2 – 4.64%, and OPSRP general service – 0.45%.

Pension Plan Comprehensive Annual Financial Report (CAFR) –

Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Actuarial Valuation –

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from their date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 13 - Pension and Retirement Plans (continued)

Actuarial Methods and Assumptions Used in Developing Total Pension Liability –

Valuation date	December 31, 2014
Measurement date	June 30, 2016
Experience study	2014, published September 2015
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	2.50 percent (reduced from 2.75%)
Long-term expected rate of return	7.50 percent (reduced from 7.75%)
Discount rate	7.50 percent (reduced from 7.75%)
Projected salary increases	3.50 percent (reduced from 3.75%)
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, 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 the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are 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 7.5 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.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 13 - Pension and Retirement Plans (continued)

Investment Rate of Return –

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the OPERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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

http://www.oregon.gov/pers/docs/financial_reports/2016_cafr.pdf.

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

At June 30, 2017, the District reported \$8,187,479 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was approximately 0.0545 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$1,385,085. Pension expense was generated during the measurement period primarily as a result of less than anticipated investment returns at the OPERS level. The \$1,385,085 was treated as an increase of payroll related expense in the Statement of Activities and allocated to Instruction, Supporting Services, and community Services using allocation percentages of 58%, 39% and 3%, respectively.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 270,878	\$ -
Changes of assumptions	1,746,194	-
Net difference between projected and actual earning on investments	1,617,502	-
Changes in proportionate share	577,794	-
Differences between employer contributions and employers proportionate share of system contributions	-	388,590
District contributions subsequent to the measurement date	116,975	-
	<u>\$ 4,329,343</u>	<u>\$ 388,590</u>

\$116,975 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 13 - Pension and Retirement Plans (continued)

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

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)
2018	\$ 691,490 ¹
2019	691,488
2020	1,292,054
2021	999,227
2022	149,519
Thereafter	-
	<u>\$ 3,823,778</u>

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

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

District's Net Pension Asset/(Liability)	1 % Decrease (6.50%)	Current Discount Rate (7.50%)	1 % Increase (8.50%)
Defined Benefit Pension Plan	13,220,048	8,187,479	3,981,131

Changes in Assumptions –

A summary of key changes implemented since the December 31, 2013 valuation can be found in the 2014 Experience Study for the System, which can be found at:

<http://www.oregon.gov/PERS/Documents/Financials/Actuarial/2015/Experience-Study.pdf>

Defined Contribution Plan – Individual Account Program (IAP)

Pension Benefits - Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. All covered employees are required by State statute to contribute 6% of their salary to the plan. 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) 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.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 13 - Pension and Retirement Plans (continued)

Defined Contribution Plan – Individual Account Program (IAP) (continued)

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.

Contributions - During 2017, the District, as an employee benefit, paid the employees portion of the contribution. For 2017, the District paid \$474,436 for this contribution.

Note 14 - Contingencies

Amounts received or receivable from grantor agencies are subject to compliance audits by grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Note 15 - Current Vulnerability Due to Certain Concentrations

The District's operations are concentrated within Curry County. In addition, substantially all the District's revenues for continuing operations are from federal, state, and local government agencies. In the normal course of operations, the District receives grant funds from various 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 conditions 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.

The District, in the regular course of business, is named as a defendant in various lawsuits. The likely outcome of these lawsuits is not presently determinable.

Note 16 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year.

Note 17 - Tax Abatements

As of June 30, 2017, Curry County did not provide tax abatement programs for any school districts within the county. For the fiscal year ended June 30, 2017, Brookings-Harbor School District did not have any abated property taxes.

Note 18 - Fund Balances

In the Special Revenue Fund, the District has committed funds for the PERS UAL Bond, Roof Maintenance, and Transportation Equipment, and restricted funds for a Scholarship fund. Also in the Special Programs Fund, the District has assigned for technology improvements, Food Service, Student Body Funds, maintenance equipment purchases, textbooks, and other miscellaneous programs.

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Basic Financial Statements
June 30, 2017

Note 19 - Subsequent Events

Management of the District has evaluated events and transactions occurring after June 30, 2017 through December 21, 2017 the date of the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. There were no additional events and/or transactions that required recognition and disclosure in the financial statements, other than the following:

Changes in OPERS Pension Plan Provisions -

At its July 28, 2017 meeting, the PERS Board lowered its effective "assumed rate" from 7.5% to 7.2% effective, January 1, 2018. The assumed rate is the rate of investment return (including inflation) that the PERS Fund's regular account is expected to earn over the long term. Oregon Administrative Rule 459-007-0001(2) states that the assumed rate "means the actuarial assumed rate of return on investments as adopted by the Board for the most recent actuarial valuation."

The lowered rate is expected to increase the PERS net pension liability by an estimated \$2.0 to \$2.4 billion. Of this increase, the District's portion is estimated at \$1.1 to \$1.3 million.

REQUIRED SUPPLEMENTARY INFORMATION

**BROOKINGS-HARBOR SCHOOL DISTRICT 17C
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES				
Local sources				
Property taxes	\$ 5,436,711	\$ 5,436,711	\$ 5,441,726	\$ 5,015
Charges for services	20,000	20,000	96,869	76,869
Interest on investments	15,000	15,000	12,540	(2,460)
Miscellaneous	350,000	350,000	58,747	(291,253)
Intermediate sources				
Intergovernmental	108,000	108,000	456,800	348,800
State sources				
Basic school support	8,279,497	8,279,497	8,358,666	79,169
Intergovernmental	173,598	173,598	201,384	27,786
Federal sources				
Intergovernmental	-	-	26,618	26,618
TOTAL REVENUES	14,382,806	14,382,806	14,653,350	270,544
EXPENDITURES				
Current				
Instruction	8,186,709	8,336,709	8,217,279	119,430
Support services	5,676,609	5,976,609	5,702,461	274,148
Contingency	1,602,488	912,488	-	912,488
TOTAL EXPENDITURES	15,465,806	15,225,806	13,919,740	1,306,066
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,083,000)	(843,000)	733,610	1,576,610
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(517,000)	(757,000)	(757,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(517,000)	(757,000)	(757,000)	-
NET CHANGE IN FUND BALANCE	(1,600,000)	(1,600,000)	(23,390)	1,576,610
FUND BALANCE, July 1, 2016	1,600,000	1,600,000	2,589,108	989,108
FUND BALANCE, June 30, 2017	\$ -	\$ -	\$ 2,565,718	\$ 2,565,718

**BROOKINGS-HARBOR SCHOOL DISTRICT 17C
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FISCAL YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Local sources				
Charges for services	\$ 115,000	\$ 115,000	\$ 57,816	\$ (57,184)
Donations	-	-	10,017	10,017
Interest on investments	4,700	4,700	20,271	15,571
Miscellaneous	453,286	453,286	297,929	(155,357)
Intermediate sources				
Intergovernmental	25,000	25,000	716	(24,284)
State sources				
Intergovernmental	206,604	206,604	95,379	(111,225)
Federal sources				
Intergovernmental	1,334,855	1,334,855	1,483,725	148,870
TOTAL REVENUES	2,139,445	2,139,445	1,965,853	(173,592)
EXPENDITURES				
Current				
Instruction	1,784,310	1,784,310	1,414,641	369,669
Support services	503,281	503,281	503,989	(708)
Enterprise and community services	598,240	598,240	570,163	28,077
Debt service	110,000	110,000	116,139	(6,139)
TOTAL EXPENDITURES	2,995,831	2,995,831	2,604,932	390,899
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(856,386)	(856,386)	(639,079)	217,307
OTHER FINANCING SOURCES (USES):				
Proceeds from debt	-	-	147,869	(147,869)
Transfers in (out)	517,000	517,000	757,000	240,000
TOTAL OTHER FINANCING SOURCES (USES)	517,000	517,000	904,869	92,131
NET CHANGE IN FUND BALANCE	(339,386)	(339,386)	265,790	605,176
FUND BALANCE, July 1, 2016	3,309,979	3,309,979	3,551,610	241,631
FUND BALANCE, June 30, 2017	\$ 2,970,593	\$ 2,970,593	\$ 3,817,400	\$ 846,807

**BROOKINGS-HARBOR SCHOOL DISTRICT 17C
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 2017**

<u>Valuation Date</u>	<u>Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL/ Payroll</u>
10/1/2009	\$ -	\$ 1,702,225	\$ 1,702,225	0.00%	\$ 6,946,851	24.50%
10/1/2012	\$ -	\$ 915,647	\$ 915,647	0.00%	\$ 7,301,830	12.54%
10/1/2015	\$ -	\$ 707,679	\$ 707,679	0.00%	\$ 7,486,068	9.45%

The above table represents the most recent actuarial valuation for the District's other postemployment benefits and provides information that approximates the funding progress of the plan.

**BROOKINGS-HARBOR SCHOOL DISTRICT 17C
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
ASSET/(LIABILITY) AND SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)**

Brookings-Harbor School District 17C Proportionate Share of Net Pension Asset/(Liability)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's of proportion of the net pension asset/(liability)	0.0545384%	0.0444722%	0.0418436%	0.0418436%
District's proportion of the net pension asset/(liability)	\$ (8,187,479)	\$ (2,551,920)	\$ 948,474	\$ (2,135,339)
District's covered-employee payroll	\$ 8,055,463	\$ 7,486,068	\$ 6,865,619	\$ 6,761,490
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-101.64%	-34.09%	13.81%	-31.58%
Plan fiduciary net position as a percentage of the total pension liability	80.53%	91.88%	103.59%	91.97%

Brookings-Harbor School District 17C Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 116,975	\$ 177,239	\$ 374,375	\$ 327,355
Contribution in relation to the contractually required	\$ (116,975)	\$ (177,239)	\$ (374,375)	\$ (327,355)
Contributions deficiency (excess)	-	-	-	-
District's covered - employee payroll	\$ 8,055,463	\$ 7,486,068	\$ 6,865,619	\$ 6,761,490
Contributions as a percentage of covered-employee payroll	1.45%	2.37%	5.45%	4.84%

Note 1 - Changes of Benefit Terms and Assumptions -

A summary of assumption changes implemented since the December 31, 2014 valuation are outlined briefly below. 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 23, 2015, and can be found at: <http://www.oregon.gov/PERS/Documents/Financials/Actuarial/2015/Experience-Study.pdf>

Changes in Actuarial Method and Allocation Procedures:

General Service member weighting changed from 30% to 25% of proportional liability.

Changes in Economic Assumptions:

Inflation was lowered to 2.5%, and payroll growth was reduced from 3.75% to 3.5%. Investment return and interest crediting was reduced from 7.75% to 7.5%. With the implementation of GASB No. 67 and 68 this necessitated an explicit Tier 1/Tier 2 administrative expense assumption of \$33 million per year for December 31, 2014 and December 31, 2015. Health care cost inflation and implementation of the excise tax in 2018 was considered. Disability mortality tables were updated using the RP2000 generational tables, whereas RP2000 static tables were previously used. Rates for disability, retirement from active status, and termination were adjusted.

Changes in Salary Increase Assumptions:

Unused sick leave and vacation pay rates were adjusted. Retirement Health Insurance Account (RHIA) participation rate for healthy retirees was reduced from 45% to 38%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates.

Other Information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 68 during fiscal 2014, as a result, only four years of information is presented.

OTHER SUPPLEMENTARY INFORMATION

**BROOKINGS-HARBOR SCHOOL DISTRICT 17C
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Local sources				
Property taxes	\$ 1,278,500	\$ 1,278,500	\$ 1,311,558	\$ 33,058
Interest on investments	7,000	7,000	46,826	39,826
TOTAL REVENUES	<u>1,285,500</u>	<u>1,285,500</u>	<u>1,358,384</u>	<u>72,884</u>
EXPENDITURES				
Debt service:	<u>1,264,118</u>	<u>1,264,118</u>	<u>1,264,037</u>	<u>81</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,382	21,382	94,347	72,965
FUND BALANCE, July 1, 2016	<u>1,064,478</u>	<u>1,064,478</u>	<u>1,127,165</u>	<u>62,687</u>
FUND BALANCE, June 30, 2017	<u>\$ 1,085,860</u>	<u>\$ 1,085,860</u>	<u>\$ 1,221,512</u>	<u>\$ 135,652</u>

**BROOKINGS-HARBOR SCHOOL DISTRICT 17C
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Local sources				
Interest on investments	\$ 1,500	\$ 1,500	\$ 3,385	\$ 1,885
State sources				
Intergovernmental	<u>1,499,600</u>	<u>1,499,600</u>	<u>457,996</u>	<u>(1,041,604)</u>
TOTAL REVENUES	<u>1,501,100</u>	<u>1,501,100</u>	<u>461,381</u>	<u>(1,039,719)</u>
EXPENDITURES				
Capital outlay	<u>1,796,774</u>	<u>1,796,774</u>	<u>470,690</u>	<u>1,326,084</u>
TOTAL EXPENDITURES	<u>1,796,774</u>	<u>1,796,774</u>	<u>470,690</u>	<u>1,326,084</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(295,674)	(295,674)	(9,309)	286,365
FUND BALANCE, July 1, 2016	<u>295,674</u>	<u>295,674</u>	<u>299,013</u>	<u>3,339</u>
FUND BALANCE, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,704</u>	<u>\$ 289,704</u>

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

2016 - 17 DISTRICT AUDIT REVENUE SUMMARY

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
Revenue from Local Sources							
1110 Ad Valorem Taxes Levied by District	\$5,441,726		\$1,311,558				
1120 Local Option Ad Valorem Taxes Levied by District							
1130 Construction Excise Tax							
1190 Penalties and Interest on Taxes							
1200 Revenue from Local Governmental Units Other Than Districts							
1311 Regular Day School Tuition - From Individuals							
1312 Regular Day School Tuition - Other Dist Within State							
1313 Regular Day School Tuition - Other Districts Outside	\$92,788						
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition							
1411 Transportation Fees - From Individuals	\$4,081						
1412 Transportation Fees - Other Dist Within State							
1413 Transportation Fees - Other Districts Outside							
1420 Summer School Transportation Fees							
1500 Earnings on Investments	\$12,540	\$20,271	\$46,826	\$3,385			
1600 Food Service		\$57,816					
1700 Extracurricular Activities							
1800 Community Services Activities							
1910 Rentals							
1920 Contributions and Donations From Private Sources		\$10,017					
1930 Rental or Lease Payments From Private Contractors							
1940 Services Provided Other Local Education Agencies							
1950 Textbook Sales and Rentals							
1960 Recovery of Prior Years' Expenditure							
1970 Services Provided Other Funds							
1980 Fees Charged to Grants							
1990 Miscellaneous	\$58,747	\$297,929					
Total Revenue from Local Sources	\$5,609,882	\$386,033	\$1,358,384	\$3,385	\$0	\$0	\$0
Revenue from Intermediate Sources							
2101 County School Funds	\$123,800						
2102 General ESD Revenue	\$333,000						
2103 Excess ESD Local Revenue							
2105 Natural Gas, Oil, and Mineral Receipts							
2110 Intermediate "I" Tax							
2199 Other Intermediate Sources							
2200 Restricted Revenue		\$716					
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District							
Total Revenue from Intermediate Sources	\$456,800	\$716	\$0	\$0	\$0	\$0	\$0
Revenue from State Sources							
3101 State School Fund - General Support	\$8,358,666						
3102 State School Fund - School Lunch Match							
3103 Common School Fund	\$171,997						
3104 State Managed County Timber							
3106 State School Fund - Accrual							
3199 Other Unrestricted Grants-in-Aid	\$29,387						
3204 Driver Education							
3222 State School Fund (SSF) Transportation Equipment							
3299 Other Restricted Grants-in-Aid		\$95,379		\$457,996			
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District							
Total Revenue from State Sources	\$8,560,050	\$95,379	\$0	\$457,996	\$0	\$0	\$0
Revenue from Federal Sources							
4100 Unrestricted Revenue Direct From the Federal Government							
4200 Unrestricted Revenue From the Federal Government Through the State							
4300 Restricted Revenue From the Federal Government		\$76,329					
4500 Restricted Revenue From the Federal Government Through the State		\$1,354,082					
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies		\$13,729					
4801 Federal Forest Fees	\$26,618						
4802 Impact Aid to School Districts for Operation (PL 874)							
4803 Coos Bay Wagon Road Funds							
4899 Other Revenue in Lieu of Taxes							
4900 Revenue for/on Behalf of the District		\$39,585					
Total Revenue from Federal Sources	\$26,618	\$1,483,725	\$0	\$0	\$0	\$0	\$0
Revenue from Other Sources							
5100 Long Term Debt Financing Sources		\$147,869					
5200 Interfund Transfers		\$757,000					
5300 Sale of or Compensation for Loss of Fixed Assets							
5400 Resources - Beginning Fund Balance	\$2,589,108	\$3,551,610	\$1,127,165	\$299,013			
Total Revenue from Other Sources	\$2,589,108	\$4,456,479	\$1,127,165	\$299,013	\$0	\$0	\$0
Grand Totals	\$17,242,458	\$6,422,332	\$2,485,549	\$760,394	\$0	\$0	\$0

2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 100 General Fund

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Elementary, K-5 or K-6	\$3,060,307	\$1,974,277	\$953,965	\$13,955	\$118,110			
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$1,500,646	\$936,920	\$491,408	\$22,333	\$49,858		\$127	
1122 Middle/Junior High School Extracurricular	\$4,222	\$2,798	\$1,424					
1131 High School Programs	\$2,060,111	\$1,311,320	\$571,781	\$25,868	\$147,011		\$4,131	
1132 High School Extracurricular	\$11,835	\$8,674	\$2,857	\$304				
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$0							
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$1,313,381	\$782,794	\$514,769	\$3,461	\$12,357			
1260 Treatment and Habilitation	\$0							
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$206,494	\$103,888	\$58,761	\$8,853	\$34,992			
1291 English Second Language Programs	\$60,283	\$44,581	\$14,298		\$1,404			
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$8,217,279	\$5,165,252	\$2,609,263	\$74,774	\$363,732	\$0	\$4,258	\$0
Support Services Expenditures								
2110 Attendance and Social Work Services	\$0							
2120 Guidance Services	\$476,049	\$299,378	\$159,352	\$3,426	\$13,308		\$585	
2130 Health Services	\$175,249	\$105,898	\$68,325	\$251	\$775			
2140 Psychological Services	\$83,185	\$60,492	\$19,670		\$3,023			
2150 Speech Pathology and Audiology Services	\$173,040	\$105,921	\$60,518	\$1,614	\$4,987			
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$189,363	\$129,139	\$56,668	\$2,961			\$595	
2210 Improvement of Instruction Services	\$42,154			\$40,994	\$1,160			
2220 Educational Media Services	\$225,612	\$123,745	\$86,013	\$370	\$13,148		\$2,336	
2230 Assessment & Testing	\$0							
2240 Instructional Staff Development	\$0							
2310 Board of Education Services	\$56,197			\$45,938	\$5,893		\$4,366	
2320 Executive Administration Services	\$300,952	\$205,037	\$59,371	\$30,003	\$3,234		\$3,307	
2410 Office of the Principal Services	\$1,334,003	\$881,609	\$405,755	\$22,222	\$16,592		\$7,825	
2490 Other Support Services - School Administration	\$69			\$20	\$49			
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$421,032	\$151,995	\$49,933	\$92,012	\$10,746		\$116,346	
2540 Operation and Maintenance of Plant Services	\$1,154,057	\$442,938	\$269,576	\$379,855	\$61,688			
2550 Student Transportation Services	\$711,195	\$323,075	\$235,657	\$33,315	\$86,318		\$32,830	
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$360,304	\$157,845	\$91,242	\$33,906	\$74,161	\$3,150		
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$5,702,461	\$2,987,072	\$1,562,080	\$686,887	\$295,082	\$3,150	\$168,190	\$0
Enterprise and Community Services Expenditures								
3100 Food Services	\$0							
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement	\$0							
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures								
5100 Debt Service	\$0							
5200 Transfers of Funds	\$757,000							\$757,000
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$757,000	\$0	\$0	\$0	\$0	\$0	\$0	\$757,000
Grand Total	\$14,676,740	\$8,152,324	\$4,171,343	\$761,661	\$658,814	\$3,150	\$172,448	\$757,000

2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 200 Special Revenue Funds

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	\$86,696	\$43,615	\$22,222	\$478	\$20,381			
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$12,491				\$12,491			
1122 Middle/Junior High School Extracurricular	\$100,308	\$33,435	\$11,768	\$7,120	\$44,057		\$3,928	
1131 High School Programs	\$97,938	\$1,053	\$138	\$12,536	\$81,659		\$2,552	
1132 High School Extracurricular	\$414,378	\$115,833	\$24,507	\$66,194	\$151,557		\$56,287	
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$0							
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$321,270	\$209,438	\$109,301	\$2,531				
1260 Treatment and Habilitation	\$0							
1271 Remediation	\$0							
1272 Title I	\$348,450	\$191,568	\$156,882					
1280 Alternative Education	\$0							
1291 English Second Language Programs	\$32,915	\$10,517	\$4,766	\$6,632	\$11,000			
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$195			\$195				
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$1,414,641	\$605,459	\$329,584	\$95,686	\$321,145	\$0	\$62,767	\$0
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0							
2120 Guidance Services	\$98,438	\$55,341	\$31,087	\$8,014	\$3,996			
2130 Health Services	\$86				\$86			
2140 Psychological Services	\$0							
2150 Speech Pathology and Audiology Services	\$0							
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$366			\$366				
2210 Improvement of Instruction Services	\$103,858			\$102,946	\$912			
2220 Educational Media Services	\$0							
2230 Assessment & Testing	\$0							
2240 Instructional Staff Development	\$0							
2310 Board of Education Services	\$0							
2320 Executive Administration Services	\$0							
2410 Office of the Principal Services	\$203			\$203				
2490 Other Support Services - School Administration	\$0							
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$0							
2540 Operation and Maintenance of Plant Services	\$149,588			\$97,609	\$51,979			
2550 Student Transportation Services	\$147,869					\$147,869		
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$3,581				\$3,581			
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$503,989	\$55,341	\$31,087	\$209,138	\$60,554	\$147,869	\$0	\$0
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$570,163	\$181,658	\$110,338	\$9,619	\$267,788		\$760	
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$570,163	\$181,658	\$110,338	\$9,619	\$267,788	\$0	\$760	\$0
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$0							
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$116,139						\$116,139	
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$116,139	\$0	\$0	\$0	\$0	\$0	\$116,139	\$0
Grand Total	\$2,604,932	\$842,458	\$471,009	\$314,443	\$649,487	\$147,869	\$179,666	\$0

2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 300 Debt Service Funds

Instruction Expenditures							
Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	\$0						
1113 Elementary Extracurricular	\$0						
1121 Middle/Junior High Programs	\$0						
1122 Middle/Junior High School Extracurricular	\$0						
1131 High School Programs	\$0						
1132 High School Extracurricular	\$0						
1140 Pre-Kindergarten Programs	\$0						
1210 Programs for the Talented and Gifted	\$0						
1220 Restrictive Programs for Students with Disabilities	\$0						
1250 Less Restrictive Programs for Students with Disabilities	\$0						
1260 Treatment and Habilitation	\$0						
1271 Remediation	\$0						
1272 Title I	\$0						
1280 Alternative Education	\$0						
1291 English Second Language Programs	\$0						
1292 Teen Parent Program	\$0						
1293 Migrant Education	\$0						
1294 Youth Corrections Education	\$0						
1299 Other Programs	\$0						
1300 Adult/Continuing Education Programs	\$0						
1400 Summer School Programs	\$0						
Total Instruction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Support Services Expenditures							
Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0						
2120 Guidance Services	\$0						
2130 Health Services	\$0						
2140 Psychological Services	\$0						
2150 Speech Pathology and Audiology Services	\$0						
2160 Other Student Treatment Services	\$0						
2190 Service Direction, Student Support Services	\$0						
2210 Improvement of Instruction Services	\$0						
2220 Educational Media Services	\$0						
2230 Assessment & Testing	\$0						
2240 Instructional Staff Development	\$0						
2310 Board of Education Services	\$0						
2320 Executive Administration Services	\$0						
2410 Office of the Principal Services	\$0						
2490 Other Support Services - School Administration	\$0						
2510 Direction of Business Support Services	\$0						
2520 Fiscal Services	\$0						
2540 Operation and Maintenance of Plant Services	\$0						
2550 Student Transportation Services	\$0						
2570 Internal Services	\$0						
2610 Direction of Central Support Services	\$0						
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0						
2630 Information Services	\$0						
2640 Staff Services	\$0						
2660 Technology Services	\$0						
2670 Records Management Services	\$0						
2690 Other Support Services - Central	\$0						
2700 Supplemental Retirement Program	\$0						
Total Support Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Enterprise and Community Services Expenditures							
Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$0						
3200 Other Enterprise Services	\$0						
3300 Community Services	\$0						
3500 Custody and Care of Children Services	\$0						
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures							
Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0						
4120 Site Acquisition and Development Services	\$0						
4150 Building Acquisition, Construction, and Improvement Services	\$0						
4180 Other Capital Items	\$0						
4190 Other Facilities Construction Services	\$0						
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures							
Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$1,264,037					\$1,264,037	
5200 Transfers of Funds	\$0						
5300 Apportionment of Funds by ESD	\$0						
5400 PERS UAL Bond Lump Sum	\$0						
Total Other Uses Expenditures	\$1,264,037	\$0	\$0	\$0	\$0	\$1,264,037	\$0
Grand Total	\$1,264,037	\$0	\$0	\$0	\$0	\$1,264,037	\$0

2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 400 Capital Projects Funds

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	\$0							
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$0							
1122 Middle/Junior High School Extracurricular	\$0							
1131 High School Programs	\$0							
1132 High School Extracurricular	\$0							
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$0							
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$0							
1260 Treatment and Habilitation	\$0							
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$0							
1291 English Second Language Programs	\$0							
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0							
2120 Guidance Services	\$0							
2130 Health Services	\$0							
2140 Psychological Services	\$0							
2150 Speech Pathology and Audiology Services	\$0							
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$0							
2210 Improvement of Instruction Services	\$0							
2220 Educational Media Services	\$0							
2230 Assessment & Testing	\$0							
2240 Instructional Staff Development	\$0							
2310 Board of Education Services	\$0							
2320 Executive Administration Services	\$0							
2410 Office of the Principal Services	\$0							
2490 Other Support Services - School Administration	\$0							
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$0							
2540 Operation and Maintenance of Plant Services	\$0							
2550 Student Transportation Services	\$0							
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$0							
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$0							
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$470,690			\$168,318		\$301,198	\$1,174	
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$470,690	\$0	\$0	\$168,318	\$0	\$301,198	\$1,174	\$0
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$0							
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total	\$470,690	\$0	\$0	\$168,318	\$0	\$301,198	\$1,174	\$0

SUPPLEMENTAL INFORMATION, 2016-2017

School District Business Managers and Auditors:

This page is a required part of your annual audited financial statements. Please make sure it is included.

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

A. Energy Bill for Heating - **All Funds:**

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

	Objects 325 & 326	
Function 2540	\$	276,454
Function 2550	\$	0

B. Replacement of Equipment – **General Fund:**

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

Exclude these functions:

1113, 1122 & 1132 Co-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

\$	0
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AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS



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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Brookings-Harbor School District No. 17C
Curry County, Oregon

We have audited the basic financial statements of the Brookings-Harbor School District No. 17C, Oregon, (the District) as of and for the year ended June 30, 2017, and have issued our report thereon dated December 21, 2017. We conducted our audit 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our audit, one finding came to our attention in relation to the State school fund factors. When testing teacher experience, we noted seven exceptions within a testing population of 13 teachers. More specifically, the District was unable to provide supporting documentation that years of experience worked inside and outside of the District or outside of the State was verified. With the exception of the finding associated to the State school fund factors, 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 Administration Rules 162-10-0000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as stated above and as follows:

Excess of expenditures over appropriations

During the fiscal year ended June 30, 2017, the District was in compliance with Local Budget Law, except as follows:

The District over expended in the Special Revenue Fund in the Instruction category by \$708, and in the Debt Service category by \$6,139.

Budget Officer compliance

During the fiscal year ended June 30, 2017, the District was in compliance with Local Budget Law, except as follows:

The District is required to publish notice of budget meeting of budget committee including notice of where a copy of the budget is available (ORS 294.426(5)). The notice if published in a newspaper of general circulation only, must be published at least two separate times, not more than 30 days before the meeting date and not less than five days before the meeting date. The notice may be published once in a newspaper, not more than 30 days before the meeting date and not less than five days before the meeting date, and once on the District's Internet website, in a prominent manner and maintained on the website for at least 10 days before the meeting date. The newspaper notice must contain the Internet website address at which the notice is posted.

The District published notice of budget committee meeting in a local newspaper six and three days prior to the meeting, with no Internet website listed in the separate notices published.

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's internal control over financial reporting or over compliance.

Restrictions on Use

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



Stewart Parmele CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 21, 2017

ITEMS REQUIRED BY THE UNIFORM GUIDANCE



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**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**

Board of Directors
Brookings-Harbor School District No. 17C
Curry County, Oregon

We have audited, in accordance with the 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 and each major fund of Brookings-Harbor School District No. 17C, Oregon, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2017, which contained an "Emphasis of Matter" paragraph regarding a restatement of beginning net position.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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.

Our 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 material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we 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 the District's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stewart Parmele CPA, Partner

Stewart Parmele CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 21, 2017



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

Board of Directors
Brookings-Harbor School District No. 17C
Curry County, Oregon

Report on Compliance for Each Major Federal Program

We have audited Brookings-Harbor School District No. 17C, Oregon's, (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2017. The District's major federal program is 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 to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, we do not express an opinion on the effectiveness of the District'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, noncompliance 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 our 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.



Stewart Parmele CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 21, 2017

**BROOKINS-HARBOR SCHOOL DISTRICT NO. 17C
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant/Contract Number	Passed Through to Sub-recipients	Federal Expenditures
U.S. Department of Agriculture					
Passed Through Oregon Department of Education:					
School Breakfast Program (SBP)	10.553		N/A	\$ -	\$ 150,703
National School Lunch Program (NSLP)	10.555		N/A	-	338,389
Commodities NSLP	10.555		N/A	-	39,585
Summer Food Service Program for Children (SFSPC)	10.559		N/A	-	15,107
Total Child Nutrition Cluster				-	543,784
Passed Through Curry County:					
Federal Forest Fees	10.666		N/A	-	26,618
Total CFDA 10.666				-	26,618
Total U.S. Department of Agriculture				\$ -	\$ 570,402
U.S. Department of Education					
Passed Through Oregon Department of Education:					
Title I Grants to Local Educational Agencies (16-17)	84.010		41014	\$ -	\$ 348,450
Total CFDA 84.010				-	348,450
Passed Through Oregon Department of Education:					
Special Education - Grants to States (SPR & I 16-17)	84.027		40770	-	2,412
Special Education - Grants to States (15-17)	84.027		36815	-	29,610
Special Education - Grants to States (16-18)	84.027		41472	-	288,596
Special Education - Grants to States (Enhancement 16-17)	84.027		42599	-	203
Special Education - Grants to States (Post School Outcome 16-17)	84.027		42810	-	195
Total Special Education Cluster (IDEA)				-	321,016
Passed through Southern Oregon Education Service District:					
Career and Technical Education - Basic Grants to States	84.048		N/A	-	10,826
Total CFDA 84.048				-	10,826
Direct Federal Award:					
Title V - Indian Education	84.060A		N/A	-	76,329
Total CFDA 84.060A				-	76,329
Passed Through Oregon Department of Education:					
Title VI - Rural and Low Income Schools	84.358		42538	-	31,639
Total CFDA 84.358				-	31,639
Passed Through Southern Oregon Education District:					
Title III - English Language Acquisition State Grants (16-17)	84.365		N/A	-	2,903
Total CFDA 84.365				-	2,903
Passed Through Oregon Department of Education:					
Improving Effective Instruction State Grant (16-17)	84.367		41269	-	71,307
Total CFDA 84.367				-	71,307
Total U.S. Department of Education				\$ -	\$ 862,470
U.S. Department of Health and Human Services					
Passed Through Oregon Department of Education:					
YTP - Basic Vocational Rehabilitation Services Grant (16-17)	84.126A		N/A	\$ -	\$ 77,471
Total CFDA 84.126A				-	77,471
Total U.S. Department of Health and Human Services				\$ -	\$ 77,471
Total Expenditures of Federal Awards				\$ -	\$ 1,510,343

BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. 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 the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the 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.

NOTE C – INDIRECT COST RATE:

The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2017**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance for the major federal award program for the District expressed an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance reported in this schedule.
7. The program tested as the major program was:
U.S. Department of Agriculture

Child Nutrition Cluster	CFDA # 10.553, 10.555, 10.556, 10.559
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8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The District qualified as a low-risk auditee under the criteria specified in the Uniform Guidance.

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None