

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
CURRY COUNTY, OREGON**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018  
WITH  
INDEPENDENT AUDITOR'S REPORT**



**Certified Public Accountants, LLP**  
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**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**CURRY COUNTY, OREGON**  
**YEAR ENDED JUNE 30, 2018**

**BOARD OF DIRECTORS AS OF JUNE 30, 2018**

Katherine Johnson - Chairperson

Bruce Raleigh - Vice-Chair

Sue Gold - Director

Alonzo Nalls - Director

Alan Nidiffer - Director

**ADMINISTRATIVE STAFF**

Sean Gallagher, Superintendent

Jerod Nunn, Director of Fiscal Services

**ADMINISTRATIVE OFFICE**

564 Fern Avenue  
Brookings, Oregon 97415

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**Year Ended June 30, 2018**

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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 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management 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 the District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, other postemployment benefits schedules, 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, certain post-employment benefit schedules and certain pension schedules 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, other financial schedules, 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, other financial schedules, 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 26, 2018, 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 26, 2018 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 C. Parmele, CPA, Partner*

Stewart Parmele CPA, Partner  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
December 26, 2018

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2018**

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, 2018. 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 assets and deferred outflows of the District exceeded its liabilities and deferred inflows at June 30, 2018 by approximately \$5.0 million. Of this amount, \$11.7 million represents the District's net investment in capital assets, \$1.3 million is restricted, and the negative balance of \$8.0 million is considered unrestricted.
- The District's total net position increased by \$1.4 million during the year ended June 30, 2018. In the prior year, the District's total net position increased by \$613 thousand. The District increased its total expenditures from the prior year, \$18.0 to \$19.5 million. District revenues increased from the prior year, \$18.6 to \$20.9 million.
- The District's total debt decreased by \$1.5 million during the 2017-2018 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 \$7.9 million, an increase of \$20 thousand from the prior year. Approximately \$2.6 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 \$2.58 million, up from \$2.57 million in the prior year. Total fund balance in the General Fund represented about 16.7 percent of total General Fund expenditures, compared 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*, which 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**  
**Year Ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Government-wide financial statements (continued)**

The *Statement of Activities*, which 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**  
**Year Ended June 30, 2018**

**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 and deferred outflows exceeded liabilities and deferred inflows by approximately \$5.0 million at June 30, 2018. At June 30, 2017 District assets were greater than liabilities by \$3.74 million.

**Net Position**  
**Governmental Activities**  
**(in thousands)**

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>Assets:</b>		
Current and other assets	\$ 9,643	\$ 9,347
Other assets	33	-
Capital assets	15,818	14,776
Total assets	25,494	24,123
Deferred outflows	3,473	4,329
Total assets and deferred outflows	\$ 28,967	\$ 28,452
<b>Liabilities:</b>		
Current liabilities (including current portion of long-term debt)	\$ 3,298	\$ 2,986
Pension & OPEB liabilities	8,837	8,772
Long-term debt	10,959	12,570
Total liabilities	23,094	24,328
Deferred inflows	738	389
Total liabilities and deferred inflows	23,832	24,717
<b>Net position:</b>		
Net investment in capital assets	11,661	9,423
Restricted	1,310	1,282
Unassigned	(7,837)	(6,970)
Total net position	\$ 5,134	\$ 3,735

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2018**

**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 \$1.4 million from the prior year.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 62 percent of total assets at June 30, 2018. The remaining assets consist mainly of cash and investments, grant and property taxes receivable, and inventories. At June 30, 2017, capital assets represented approximately 61 percent of total assets.

The District's largest liability of 53.7 percent is for the repayment of general obligation and PERS bonds. Current liabilities, representing about 14.3 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 57.2 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**  
**Year Ended June 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

**Changes in Net Position**  
**Governmental Activities**  
**(in thousands)**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues:		
Program revenues:		
Charges for service	\$ 59	\$ 166
Operating grants and contributions	1,731	2,186
Capital grants and contributions	1,393	-
General revenues:		
Property taxes	6,967	6,809
State school fund - general support	9,201	8,359
Other federal, state and local sources	1,023	685
Earnings on investments	134	83
Other	362	354
Total revenues	<u>20,870</u>	<u>18,642</u>
Expenses:		
Instruction	\$ 11,010	\$ 10,151
Support services	7,104	6,603
Enterprise and community services	731	653
Facilities acquisition and construction	36	-
Interest on long-term debt	590	622
Total expenses	<u>19,471</u>	<u>18,029</u>
Change in net position	<u>\$ 1,399</u>	<u>\$ 613</u>

During the current fiscal year, property tax revenues of approximately \$7.0 million and state school support of \$9.2 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 \$1.4 million. Governmental activities revenue totaled \$20.9 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, 2017.

**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**  
**Year Ended June 30, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)**

At June 30, 2018, the District's governmental funds reported combined ending fund balances of \$7.9 million, an increase of \$20 thousand in comparison with the prior year. About \$2.6 million (33.3 percent) of the ending fund balance constitutes *unassigned ending fund balance*, which is available for spending at the District's discretion. An additional \$1.3 million (17.0 percent) is restricted for debt service obligations.

*General Fund:* The General Fund is the chief operating fund of the District. As of June 30, 2018, total fund balance was \$2.6 million, up \$10 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 16.7 percent of total General Fund expenditures.

*Special Revenue Fund:* The Special Revenue Fund had a total fund balance of \$3.7 million, \$30 thousand is restricted for scholarships, \$3.2 million is committed and \$514 thousand is assigned.

*Debt Service Fund:* The Debt Service Fund has a total fund balance of \$1.3 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 \$320 thousand, all of which is committed for ongoing capital projects.

**KEY BUDGET VARIANCES**

Expenditure budgets are appropriated at the following level of control for each fund: Instruction, Support Services, Enterprise and Community Services, Facilities Acquisition and Construction, and Other Uses of Funds which include Interfund Transactions, Debt Service and Contingency. Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Board approval as long as appropriation levels are not changed. Supplemental appropriations may occur if the Board approves them when a need exists that was not determined at the time the budget was adopted. Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2018 with the following exceptions:

The District was under budget overall, except for an overage of \$102 thousand in the General Fund support services, \$143 thousand in the Special Revenue Fund in Instruction, and \$67 thousand in the Special Revenue Fund Enterprise and Community Services. The General Fund over-expenditure was due to an increased need for outside services. The Special Revenue over-expenditures were primarily due a larger than anticipated increase in salaries.

**CURRENT ECONOMIC FACTORS**

In conclusion, as PERS costs continue to rise statewide, the Districts cost should remain manageable thanks to careful strategic planning in past years. The Districts facilities will continue to receive upgrades through seismic retrofit grants already approved through 2019/2020, with applications for more facilities grants in process.

In 2017/2018, with the High School Success Fund - Measure 98, Bookings-Harbor High School has been able to increase career technical education opportunities in welding and construction. High School students can earn an Allied Health Certificate in partnership with SWOCC, CompTIA Professional Information Technology certificates, and numerous Graphic and Digital Media Art professional software certificates. In 2017/2018 184 of our students completed college credits through high school classes. Southern Oregon University (SOU), Oregon Institute of Technology (OIT) and South Western Oregon Community College (SOCC) to provide these dual credit opportunities.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2018**

**CURRENT ECONOMIC FACTORS (continued)**

Looking forward to the 2018/2019 school year, the district will be working hard to increase student achievement for all students. The Board of Directors is working with the Oregon School Board Association and the Promise Scholarship Program to create District Leadership Teams (DLT's). DLT's are a cross section of staff including administrators, teachers and classified staff from each level/building within the school district who assume leadership responsibility for guiding and protecting the work focused on improving student learning in the focus areas established by the school board.

The District enrollment forecast expects to see a slight decline again for the 2018/2019 year. Declining enrollment is a concern and we believe is directly related to the economy and housing shortage in our community. In spite of enrollment trends, the Brookings Harbor School District will 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, Jerod Nunn, at 564 Fern Ave, Brookings, Oregon 97415.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Governmental Activities
<b>ASSETS:</b>	
Cash and investments	\$ 8,516,976
Receivables	1,103,558
Inventories	21,968
Net other post-employment asset (RHIA)	32,564
Capital assets, net:	
Land	212,401
Construction in progress	350,501
Buildings and improvements	14,189,908
Vehicles and equipment	1,065,529
<b>TOTAL ASSETS</b>	<b>25,493,405</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred amounts related to pensions and other post-employment benefits	3,472,801
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>28,966,206</b>
<b>LIABILITIES:</b>	
Accounts payable	379,529
Accrued salaries and benefits	778,702
Accrued interest payable	407,344
Accrued compensated absences payable	30,028
Net pension liability (OPERS) (Due in more than one year)	8,268,801
Other post-employment obligation (Due in more than one year)	568,107
Capital lease payable:	
Due within one year	100,735
Due in more than one year	151,288
Bonds payable:	
Due within one year	1,601,521
Due in more than one year	10,808,034
<b>TOTAL LIABILITIES</b>	<b>23,094,089</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred amounts related to pensions and other post-employment benefits	738,329
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>23,832,418</b>
<b>NET POSITION:</b>	
Net investment in capital assets	11,661,316
Restricted	1,309,916
Unrestricted	(7,837,444)
<b>TOTAL NET POSITION</b>	<b>\$ 5,133,788</b>

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

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	\$ 11,010,060	\$ 1,355	\$ 974,990	\$ -
Supporting services	7,104,127	976	190,252	-
Enterprise and community services	730,744	56,430	565,814	-
Facilities acquisition and construction	36,127	-	-	1,393,231
Interest on long-term debt	590,014	-	-	-
	<u>\$ 19,471,072</u>	<u>\$ 58,761</u>	<u>\$ 1,731,056</u>	<u>\$ 1,393,231</u>
				(16,288,024)
General revenues:				
Property taxes levied for general purposes				5,638,959
Property taxes levied for debt service				1,327,990
Tax receipt from other government				593,832
State school fund - general support				9,200,818
Common school fund				142,396
Federal forest fees				286,912
Earnings on investments				133,513
Miscellaneous				366,990
Gain/(loss) on sale of capital assets				(4,028)
				<u>17,687,382</u>
				<b>NET CHANGE IN NET POSITION</b>
				1,399,358
				<b>NET POSITION - JULY 1, 2017</b>
				<u>3,734,430</u>
				<b>NET POSITION - JUNE 30, 2018</b>
				<u>\$ 5,133,788</u>

**FUND FINANCIAL STATEMENTS**

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>ASSETS:</b>					
Cash and investments	\$ 3,252,592	\$ 3,647,691	\$ 1,296,548	\$ 320,145	\$ 8,516,976
Receivables	568,817	241,991	119,699	173,051	1,103,558
<b>TOTAL ASSETS</b>	<b>\$ 3,821,409</b>	<b>\$ 3,889,682</b>	<b>\$ 1,416,247</b>	<b>\$ 493,196</b>	<b>\$ 9,620,534</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 72,521	\$ 133,957	\$ -	\$ 173,051	\$ 379,529
Accrued salaries and benefits	731,161	47,541	-	-	778,702
<b>TOTAL LIABILITIES</b>	<b>803,682</b>	<b>181,498</b>	<b>-</b>	<b>173,051</b>	<b>1,158,231</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property taxes	441,717	-	106,331	-	548,048
<b>TOTAL DEFERRED INFLOWS</b>	<b>441,717</b>	<b>-</b>	<b>106,331</b>	<b>-</b>	<b>548,048</b>
<b>FUND BALANCES:</b>					
Restricted for debt service	-	-	1,309,916	-	1,309,916
Restricted for scholarships	-	30,431	-	-	30,431
Committed	-	3,164,163	-	320,145	3,484,308
Assigned	-	513,590	-	-	513,590
Unassigned	2,576,010	-	-	-	2,576,010
<b>TOTAL FUND BALANCES</b>	<b>2,576,010</b>	<b>3,708,184</b>	<b>1,309,916</b>	<b>320,145</b>	<b>7,914,255</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,821,409</b>	<b>\$ 3,889,682</b>	<b>\$ 1,416,247</b>	<b>\$ 493,196</b>	<b>\$ 9,620,534</b>

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2018**

<b>TOTAL FUND BALANCES</b>		\$ 7,914,255
	Inventory is not reported as a governmental fund asset under the purchase method of accounting for inventory.	21,968
	Capital assets are not financial resources and therefore are not reported in the governmental funds:	
	Cost	\$ 26,279,628
	Accumulated depreciation	<u>(10,461,289)</u>
		15,818,339
	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.	548,048
	The net deferred outflow/(inflow) associated with the District's pension and other post-employment benefits is not recorded in the governmental funds as it is not available nor payable currently.	2,734,472
	The asset associated with the District's retirement health insurance account (RHIA) is not recorded in the governmental funds is not available nor payable currently.	32,564
	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	\$ (407,344)
	Accrued compensated absences	(30,028)
	Capital lease payable	(252,023)
	Bonds payable	<u>(12,409,555)</u>
		(13,098,950)
	The liability associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.	(8,268,801)
	The liability associated with the District's other post employment benefit (OPEB) is not reported with the governmental funds as it is not available nor payable currently.	<u>(568,107)</u>
<b>TOTAL NET POSITION</b>		<u><u>\$ 5,133,788</u></u>

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<b>REVENUES:</b>					
Property taxes	\$ 5,690,611	\$ -	\$ 1,341,745	\$ -	\$ 7,032,356
Charges for services	2,338	56,423	-	-	58,761
Interest on investments	56,679	32,600	33,831	10,403	133,513
Local grants and contributions	21,181	13,200	-	-	34,381
Miscellaneous	55,094	288,925	-	22,971	366,990
Intergovernmental	10,223,958	1,696,675	-	1,393,231	13,313,864
<b>TOTAL REVENUES</b>	<b>16,049,861</b>	<b>2,087,823</b>	<b>1,375,576</b>	<b>1,426,605</b>	<b>20,939,865</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction	8,855,009	1,649,430	-	-	10,504,439
Support services	6,450,055	515,044	-	-	6,965,099
Enterprise and community services	-	692,511	-	-	692,511
Facilities acquisition	87,105	-	-	1,396,164	1,483,269
Debt service	-	107,328	1,287,172	-	1,394,500
<b>TOTAL EXPENDITURES</b>	<b>15,392,169</b>	<b>2,964,313</b>	<b>1,287,172</b>	<b>1,396,164</b>	<b>21,039,818</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>657,692</b>	<b>(876,490)</b>	<b>88,404</b>	<b>30,441</b>	<b>(99,953)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from debt	-	115,274	-	-	115,274
Transfers in	-	652,000	-	-	652,000
Transfers out	(652,000)	-	-	-	(652,000)
Proceeds from sale of capital assets	4,600	-	-	-	4,600
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(647,400)</b>	<b>767,274</b>	<b>-</b>	<b>-</b>	<b>119,874</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>10,292</b>	<b>(109,216)</b>	<b>88,404</b>	<b>30,441</b>	<b>19,921</b>
<b>FUND BALANCE - JULY 1, 2017</b>	<b>2,565,718</b>	<b>3,817,400</b>	<b>1,221,512</b>	<b>289,704</b>	<b>7,894,334</b>
<b>FUND BALANCE - JUNE 30, 2018</b>	<b>\$ 2,576,010</b>	<b>\$ 3,708,184</b>	<b>\$ 1,309,916</b>	<b>\$ 320,145</b>	<b>\$ 7,914,255</b>

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

<b>NET CHANGE IN FUND BALANCE</b>		\$ 19,921
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<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.</p>		(1,193)
<p>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 and disposals exceeded capital outlay in the current period.</p>		
Expenditures for capital assets	\$ 1,620,047	
Loss on sale of assets	(8,628)	
Less: current year depreciation	<u>(569,138)</u>	1,042,281
<p>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.</p>		132,559
<p>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.</p>		(4,920)
<p>Government funds report other post-employment benefits (OPEB) contributions as expenditures. In the Statement of Activities, the cost of OPEB (actuarially determined) net of employee contributions is reported as either pension expense or income. This is the net change in OPEB related items (including deferred outflows and inflows).</p>		109,862
<p>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:</p>		
Principal paid on capital lease obligations	\$ 101,192	
Principal paid on long-term general obligation debt	1,210,000	
Principal paid on long-term PERS related debt	319,093	
Proceeds from capital lease	<u>(115,274)</u>	1,515,011
<p>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.</p>		(1,348,756)
<p>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.</p>		<u>(65,407)</u>
<b>CHANGE IN NET POSITION</b>		<u><u>\$ 1,399,358</u></u>

**NOTES TO BASIC FINANCIAL STATEMENTS**

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Brookings-Harbor School District No. 17C (the District) 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 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 financially 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.

Separate financial statements are provided for governmental funds. The District has no proprietary funds or fiduciary funds.

Net position is reported as restricted when constraints placed on assets used are 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 of the District's funds are categorized as major funds.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Fund Financial Statements (continued)***

The District reports the following major governmental funds:

*General Fund* - This 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* - This fund accounts for funds received through Federal, State and Private grant sources. It is also used to account for the District's school lunch program, major curriculum and technology purchases, and special revenues derived from Associated Student Body activities.

*Debt Service Fund* - This fund provides for the payment of principal and interest on debt obligations of the District. Principal revenue sources are property taxes and charges to other funds.

*Capital Projects Fund* - This fund accounts for activities related to the acquisition, construction, equipping and furnishing of facilities. Principal revenue sources are state grants, proceeds from the sale of bonds, interest earnings and transfers from other funds.

**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, demand deposits and short-term investments with original maturities of three months or less. Short-term investments are stated at cost, which approximates fair value.

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

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**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. All property taxes receivable are due from property owners within the District.

**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.

**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	5 to 30 years

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Pensions**

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The District offers its employees a tax deferred annuity plan established pursuant to Section 403(b) of the Internal Revenue Code and deferred compensation pursuant to Section 457 of the Internal Revenue Code.

**Post-Employment Health Care Benefits**

Eligible employees who elect early retirement are entitled to payment of group medical insurance premiums. In the Government-wide financial statements, the District reports its liability for other post-employment benefits consistent with established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees. Such costs are recorded as expenses in the Governmental Funds and funded as premiums become due.

**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 one type of deferred outflow (deferred amounts related to pensions and other post-employment benefits), 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 and other post-employment benefits). Accordingly, unavailable revenue, is reported only in the governmental funds balance sheet, and deferred amounts related to pensions and other post-employment benefits, is reported in the government-wide Statement of Net Position.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**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.

Deferred charges associated to the advance refunding are reported as deferred outflows of resources. Bond issuance costs are expensed as incurred.

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 increased 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 of 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.

The District has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable), and lastly unassigned fund balance.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

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.

The Board may authorize some transfers of appropriation authority by passing a resolution or ordinance. A transfer of appropriation authority is a decrease of one existing appropriation and a corresponding increase of another existing appropriation, with no net change in the total amount of all appropriations. However, a resolution may not be used to authorize the creation of a new appropriation category that does not already exist without approving a supplemental budget.

During the fiscal year ending June 30, 2018, the District improperly transferred appropriation within the General Fund from Contingency to Facilities Acquisition, an appropriation category which did not already exist.

Additionally, the District exceeded its appropriation authority in the following categories:

General Fund:		
Support Services	\$	101,912
Special Revenue Fund:		
Instruction		143,232
Community Service		67,068
Total	\$	312,212

**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**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New GASB Pronouncements Adopted**

During the fiscal year ended June 30, 2018, the District implemented the following GASB Pronouncements:

GASB Statement No. 75, 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 Benefit). The implementation of GASB 75 did not result in a prior period adjustment.

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 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 goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts 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. 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 defeased in substance.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Future GASB Pronouncements**

The following GASB pronouncements have been issued, but are not effective as of 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 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 fiscal year ending June 30, 2020.

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 increasing 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.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements, issued March 2018 to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 will be effective for the District for fiscal year ending June 30, 2019.

GASB Statement No. 89, Accounting for Interest Costs Incurred Before the End of a Construction Period. This statement was issued June 2018 to establish accounting requirements for interest cost incurred before the end of a construction period. The objectives of the Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for the District for fiscal year ending June 30, 2021.

GASB Statement No. 90, Majority Equity Interests. Issued August 2018, the primary objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization; and to improve the relevance of financial statement information for certain component units. GASB Statement No. 90 will be effective for the District for fiscal year ending June 30, 2020.

The District will implement new GASB pronouncements no later than the required effective date. 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.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**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, 2018:

Demand Deposits	\$ 1,900,950
Investments:	
Local Government Investment Pool	4,702,410
Certificate of Deposit	179,511
Municipal Bond Unit Trusts	344,980
Mutual Funds	1,372,247
Money Market	9,175
Cash Held for Investment	7,703
Total Cash and Investments	\$ 8,516,976

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, 2018. 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, certificates of deposits, and money market accounts. 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, 2018, the carrying amounts of the District's deposits in various qualifying financial institutions were \$1,900,950 and the bank balances were \$3,289,235. All deposits are held in the name of the District. Of the bank balance, \$2,623,277 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, for deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As required by Oregon Revised Statutes, Chapter 295, deposits in excess of FDIC and NCUSIF coverage were held at qualified depositories for public funds.

All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result, the District has no exposure to custodial credit risk for deposits with financial institutions.

Custodial credit risk, for investments, is the risk that, in the event of the failure of the counter-party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's total investments, the District has no custodial credit risk.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 2 – CASH AND INVESTMENTS (continued)**

The District has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2017-2018. 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.

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.

As of June 30, 2018 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 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**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 2 – CASH AND INVESTMENTS (continued)**

	Totals as of June 30, 2018	Level One	Level Two	Level Three	Amortized Cost Measurement Not Measured at Fair Value
Investments Measured at Fair Value:					
Local Government Investment Pool	\$ 4,702,410	\$ -	\$ -	\$ -	\$ 4,702,410
Certificate of Deposit	179,511	-	179,511	-	-
Municipal Bond Unit Trusts	344,980	-	344,980	-	-
Mutual Funds	1,372,247	1,372,247	-	-	-
Money Market	9,175	9,175	-	-	-
Cash held for investment	7,703	7,703	-	-	-
<b>Total Investments</b>	<b>\$ 6,616,026</b>	<b>\$ 1,389,125</b>	<b>\$ 524,491</b>	<b>\$ -</b>	<b>\$ 4,702,410</b>

As of June 30, 2018, the District's investments had the following maturities:

	Total	Investment Maturities		
		Less than 1 yr	1-5 years	6-10 years
Investments:				
Local Government Investment Pool	\$ 4,702,410	\$ 4,702,410	\$ -	\$ -
Certificate of Deposit	179,511	89,734	89,777	-
Municipal Bond Unit Trusts	344,980	344,980	-	-
Mutual Funds	1,372,247	1,372,247	-	-
Money Market	9,175	9,175	-	-
Cash Held for Investment	7,703	7,703	-	-
<b>Total Investments</b>	<b>\$ 6,616,026</b>	<b>\$ 6,526,249</b>	<b>\$ 89,777</b>	<b>\$ -</b>

As of June 30, 2018, all of the District's investments had unrated credit ratings.

**NOTE 3 - RECEIVABLES**

Receivables are comprised of the following as of June 30, 2018:

	Property Taxes	Grants	Other	Total
General Fund	\$ 497,619	\$ -	\$ 71,198	\$ 568,817
Special Revenue Fund	-	241,991	-	241,991
Debt Service Fund	119,699	-	-	119,699
Capital Projects Fund	-	-	173,051	173,051
<b>Total Receivables</b>	<b>\$ 617,318</b>	<b>\$ 241,991</b>	<b>\$ 244,249</b>	<b>\$ 1,103,558</b>

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 4 – CAPITAL ASSETS**

The changes in capital assets for the year ended June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Disposals	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 212,401	\$ -	\$ -	\$ -	\$ 212,401
Construction in progress	457,996	350,501	-	(457,996)	350,501
Total capital assets not beng depreciated	<u>670,397</u>	<u>350,501</u>	<u>-</u>	<u>(457,996)</u>	<u>562,902</u>
Capital assets being depreciated:					
Buildings	20,052,834	-	-	-	20,052,834
Building improvements	1,733,901	1,096,641	-	457,996	3,288,538
Machinery & equipment	555,427	57,631	-	-	613,058
Vehicles	1,796,449	115,274	(149,427)	-	1,762,296
Total capital assets being depreciated	<u>24,138,611</u>	<u>1,269,546</u>	<u>(149,427)</u>	<u>457,996</u>	<u>25,716,726</u>
Less accumulated depreciation for:					
Buildings	(7,247,256)	(345,709)	-	-	(7,592,965)
Building improvements	(1,449,583)	(108,916)	-	-	(1,558,499)
Machinery & equipment	(487,911)	(17,029)	-	-	(504,940)
Vehicles	(848,200)	(97,484)	140,799	-	(804,885)
Total accumulated depreciation	<u>(10,032,950)</u>	<u>(569,138)</u>	<u>140,799</u>	<u>-</u>	<u>(10,461,289)</u>
Total capital assets (net)					
Land	212,401	-	-	-	212,401
Constuction in progress	457,996	350,501	-	(457,996)	350,501
Buildings	12,805,578	(345,709)	-	-	12,459,869
Building improvements	284,318	987,725	-	457,996	1,730,039
Machinery & equipment	67,516	40,602	-	-	108,118
Vehicles	948,249	17,790	(8,628)	-	957,411
Total capital assets (net)	<u>\$ 14,776,058</u>	<u>\$ 1,050,909</u>	<u>\$ (8,628)</u>	<u>\$ -</u>	<u>\$ 15,818,339</u>

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

Program:	
Instruction	\$ 328,381
Supporting services	219,070
Community services	21,687
Total	<u>\$ 569,138</u>

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018**

**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, 2018, the components of unearned revenue included in the governmental funds' Balance Sheet consist of the following:

	Unavailable
Property taxes:	
General fund	\$ 441,717
Debt service fund	106,331
Total Unavailable Revenue	\$ 548,048

**NOTE 6 – INTERFUND TRANSFERS**

The composition of interfund transfers as of June 30, 2018:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 652,000
Special Revenue Fund	652,000	-
Total Transfers	\$ 652,000	\$ 652,000

The District made budgeted transfers from the General Fund to the Special Revenue Fund that included \$110,000 to the transportation equipment program, \$8,000 to the Cafeteria program, \$150,000 to the Student Activity Program, \$40,000 to the Middle School Athletic Fund, \$275,000 to the Facility Maintenance program, \$40,000 to the Textbook Adoption program, and \$29,000 to the Tuition Reimbursement 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 \$38,077 for the year ended June 30, 2018. The future minimum lease payments for these leases are as follows:

Years Ending June 30,		
2019	\$	36,962
2020		35,857
2021		23,185
2022		22,700
2023		13,689
Total	\$	132,393

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**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, 2018 were \$101,192. The cost of the leased buses totaled \$509,518, with accumulated depreciation of \$64,465, and a net book value of \$445,053 as of the year ended June 30, 2018.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Years Ending June 30,		
2019	\$	107,328
2020		78,112
2021		55,527
2022		<u>24,442</u>
Total minimum lease payments		265,409
Less: amount representing interest		<u>(13,386)</u>
Total	\$	<u><u>252,023</u></u>

During the fiscal year ended June 30, 2018, \$7,651 of interest was charged to expense related to capitalized leases payable.

**NOTE 9 – 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 \$76,612.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rate</u>
2019	\$ 1,250,000	\$ 60,976	\$ 1,310,976	1.474%
2020	1,295,000	40,135	1,335,135	1.796%
2021	<u>1,360,000</u>	<u>14,253</u>	<u>1,374,253</u>	2.096%
Total	<u><u>\$ 3,905,000</u></u>	<u><u>\$ 115,364</u></u>	<u><u>\$ 4,020,364</u></u>	

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 9 – LONG-TERM DEBT (continued)**

**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 \$1,551,456. 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 \$4,465,000. 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.

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 3.25% 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 Sate Education Revenues.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 9 – LONG-TERM DEBT (continued)**

**Series 2012 Obligations (continued)**

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:

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
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	11,687	673,209
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	510,000	375,000	-	885,000	200,049	146,492	-	346,541
2024-2028	3,100,000	2,275,000	-	5,375,000	501,721	367,522	-	869,243
Total	<u>\$ 4,319,555</u>	<u>\$ 3,760,000</u>	<u>\$ 425,000</u>	<u>\$ 8,504,555</u>	<u>\$ 2,057,194</u>	<u>\$ 1,260,692</u>	<u>\$ 35,062</u>	<u>\$ 3,352,948</u>

Changes in long-term debt for the year ended June 30, 2018, are as follows:

	Original Issue	Outstanding July 1, 2017	Issued	Matured	Outstanding June 30, 2018
General Obligation Bonds Series 2013	\$ 7,735,000	\$ 5,115,000	\$ -	\$ (1,210,000)	\$ 3,905,000
Pension Obligations					
Series 2002	6,016,455	4,443,648	-	(124,093)	4,319,555
Series 2004	4,655,000	3,955,000	-	(195,000)	3,760,000
Series 2012	425,000	425,000	-	-	425,000
Total Pension Obligations		<u>8,823,648</u>	<u>-</u>	<u>(319,093)</u>	<u>8,504,555</u>
Total Long Term Debt		<u>\$ 13,938,648</u>	<u>\$ -</u>	<u>\$ (1,529,093)</u>	<u>\$ 12,409,555</u>

**NOTE 10 – COMPENSATED ABSENCES**

During the fiscal year ended June 30, 2018, the following changes occurred in compensated absences reported in the Statement of Net Position:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Compensated absences	<u>\$ 25,108</u>	<u>\$ 64,847</u>	<u>\$ (59,927)</u>	<u>\$ 30,028</u>	<u>\$ 30,028</u>

It is the District's opinion that the liability is current in nature as it has capped amounts which can be earned to encourage employees to take their vacation annually. The Special Revenue Fund and General Funds are typically used to liquidate this liability.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Single-Employer Defined Benefit Health Care Plan**

**Plan Description** – The District’s post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303, which requires that all eligible retirees are 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 on all plan members, including both active employees and retirees. The requirement to make available to retirees (at the retirees own cost) access in to the healthcare plan has an implicit cost to the district.

**Funding Policy** – The benefits from the single-employer defined benefit OPEB plan are paid by the District based on bargaining agreement language and contributions by employees are also required. The plan is not accounted for in a pension trust fund; therefore, designated funds are not legally restricted to pay future benefits. The benefits from the healthcare plan established in accordance with ORS 243.303 are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the District to fund these benefits in advance. The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

**Employees Covered by Benefit Terms** – The explicit benefit for the single-employer defined benefit OPEB plan was ceased to all employees entering employment subsequent to June 30, 2000. As a result, the total plan members receiving the explicit benefit will decrease over time. At June 30, 2018, the following employees were covered by the explicit benefit terms:

Inactive employees entitled to but not yet receiving benefit payments	7
Active plan members	191
	198

**Total OPEB Liability** – The districts total OPEB liability of \$568,107 was measured as of June 30, 2018, and was determined by an actuarial valuation date as of July 1, 2017.

**Single-Employer Defined Benefit Health Care Plan (continued)**

**Actuarial Assumptions and Other Inputs** – The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Input	Assumption
Actuarial Cost Method	Entry age normal, level percent of salary
Interest Rate Utilized for Discounting	3.58% per year, based on all years discounted at municipal bond rate
General Inflation	2.5% per year
Salary Scale	3.5% per year
Salary Merit Scale	Total payroll increase is overall payroll growth
Annual Premium Increase Rate	Between 5% and 6.5% annually (district portion was assumed 2.5% annually)
Mortality Rates	RP 2014 Employee and Healthy Annuitant tables
Turnover Rates	As developed for the valuation of benefits under Oregon PERS, depending on YOS
Retirement Rates	As developed for the valuation of benefits under Oregon PERS
Plan Enrollment	Current and future retirees are assumed to remain enrolled in the plans in which currently enrolled

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**Single-Employer Defined Benefit Health Care Plan (continued)**

***Changes in the Total OPEB Liability –***

OPEB Liability at June 30, 2017	\$	584,252
Changes for the year:		
Service cost		77,473
Interest		17,646
Assumptions changes or inputs		(25,532)
Benefit payments		(85,732)
OPEB Liability at June 30, 2018	\$	568,107

***Deferred Outflows of Resources, and Deferred Inflows of Resources*** – At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ -	\$ 21,604
Benefit payments (post measurement date)	59,593	-
	\$ 59,593	\$ 21,604

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)
2019	\$ (3,928)
2020	(3,928)
2021	(3,928)
2022	(3,928)
2023	(3,928)
Thereafter	(1,964)
Total	\$ (21,604)

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*** – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease	Current Discount Rate 3.5%	1% Increase
Total OPEB Liability	\$ 603,314	\$ 568,107	\$ 534,705

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**Single-Employer Defined Benefit Health Care Plan (continued)**

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*** – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate 6.5%	1% Increase
Total OPEB Liability	\$ 518,498	\$ 568,107	\$ 625,070

***OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources*** – For the year ended June 30, 2018, the District recognized a reduction of OPEB expense of \$16,145.

**Retirement Health Insurance Account (RHIA)**

***Plan Description*** – The District contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. Oregon Revised Statute (ORS) 238.420 established this trust fund and authorizes the Oregon Legislature to establish and amend the benefit provisions. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO box 23700, Tigard, OR 97281-3700, telephone (503) 598-7377, or by URL: <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

***Benefits Provided*** – RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible employees. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the District, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. The plan has been closed to new entrants since January 1, 2004.

***Contributions*** – Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. Participating Districts are contractually required to contribute to RHIA at a rate assessed each year by PERS.

The District's contractually required contribution rate for the year ended June 30, 2018 was 0.43% of OPSRP payroll actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year. Contributions to the OPEB plan from the District were \$38,279 for the year ended June 30, 2018.

***OPEB Asset, Income, Deferred Outflows of Resources, and Deferred Inflows of Resources*** – At June 30, 2018, the District reported an asset of \$32,564 for its proportionate share of the total RHIA asset. The asset was measured as of June 30, 2017, and the total pension asset used to calculate the asset was determined by an actuarial valuation as of December 31, 2015. The District's proportion of the RHIA asset was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was approximately 0.07802691 percent.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**Retirement Health Insurance Account (RHIA) (continued)**

For the year ended June 30, 2018, the District recognized a reduction of OPEB expense of \$55,717. At June 30, 2018, 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
Net difference between projected and actual earning on investments	\$ -	\$ 15,082
Changes in proportionate share	-	44
District contributions subsequent to the measurement date	38,279	-
Total	\$ 38,279	\$ 15,126

\$38,279 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2018.

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

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)
2019	\$ (3,786)
2020	(3,786)
2021	(3,782)
2022	(3,772)
2023	-
Thereafter	-
Total	\$ (15,126)

**Actuarial Methods and Assumptions** – The actuarial valuation used for RHIA is identical to the actuarial valuation details related to the OPERS Plan disclosed in *Note 12 Pension and Retirement Plans* (excluding the Actuarial Methods and Assumptions cost of living adjustment assumption, which has been removed, and a retiree healthcare participation assumption of 38% for healthy retirees and 20% for disabled retirees has been used). The actuarial valuation details are the Actuarial Methods and Assumptions, Discount Rate, Assumed Asset Allocation, and the Investment Rate of Return.

**Sensitivity of the Total RHIA Asset to Changes in the Discount Rate** – The following presents the total RHIA asset of the District, as well as what the District’s total RHIA asset would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

District's Net OPEB Asset/(Liability)	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Retirement Health Insurance Account	\$ (4,539)	\$ 32,564	\$ 64,122

The RHIA OPEB is unaffected by healthcare cost trends due to the benefit being limited to \$60 monthly payments toward Medicare companion insurance premiums.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 12 – 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.

**Oregon Public Employees Retirement 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 238A, 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).

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)***

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

*Pension Benefits* - The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 12 – PENSION AND RETIREMENT PLANS (continued)**

**Oregon Public Employees Retirement Plan (continued)**

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

*Benefit Changes After Retirement* – Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0%.

***OPSRP Pension Program (Chapter 238A)***

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

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

*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  
YEAR ENDED JUNE 30, 2018**

**NOTE 12 – PENSION AND RETIREMENT PLANS (continued)**

**Oregon Public Employees Retirement Plan (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 changes (COLA). The COLA is capped at 2.0%.

**Contributions**

PERS funding policy provides for periodic member and employer contributions at rates established by the PERS Board, subject to limits set by statute. The rates established for member and employer contributions were approved based on the recommendation of the PERS third-party actuary. This funding policy applies to the PERS Defined Benefit Plan. Employer contributions during the period July 1, 2017 through June 30, 2018, were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. For this period, employer contribution rates were 10.58% for Tier 1/Tier 2 employees and 5.25% for OPSRP employees. Employer contributions for the year ended June 30, 2018 were \$480,563, excluding amounts to fund employer specific liabilities.

A 10 year schedule of Defined Benefit Pension Plan Contributions can be found beginning on page 76 of the June 30, 2017 PERS CAFR.

**Pension Plan Comprehensive Annual Financial Report (CAFR)**

Oregon PERS produces an independently audited CAFR which can be found at: <https://www.oregon.gov/pers/documents/financials/CAFR/2017-CAFR.pdf>.

**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 the member's 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  
YEAR ENDED JUNE 30, 2018**

**NOTE 12 – PENSION AND RETIREMENT PLANS (continued)**

**Oregon Public Employees Retirement Plan (continued)**

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

Valuation date	December 31, 2015
Measurement date	June 30, 2017
Experience Study	2014, published September 23, 2015
Actuarial assumptions:	
Actuarial cost method	Entry age normal
Inflation rate	2.50 percent
Long-term expected rate of return <sup>1</sup>	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><b>Healthy retirees and beneficiaries:</b> RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><b>Disabled retirees:</b> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</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 7.50 percent for the Defined 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  
YEAR ENDED JUNE 30, 2018**

**NOTE 12 – PENSION AND RETIREMENT PLANS (continued)**

**Oregon Public Employees Retirement Plan (continued)**

**Assumed Asset Allocation**

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	0.00%
Debt securities	20.00%
Public equity	37.50%
Private equity	17.50%
Real estate	12.50%
Alternative equity	12.50%
Opportunity portfolio	0.00%
Total	<u>100.00%</u>

**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 PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 12 – PENSION AND RETIREMENT PLANS (continued)**

**Oregon Public Employees Retirement Plan (continued)**

The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term target asset allocation. The OIC's description of each asset was used to map the target allocation to the asset classes shown below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return</u>
Core fixed income	8.00%	4.00%
Short-term bonds	8.00%	3.61%
Intermediate-term bonds	3.00%	5.42%
High yield bonds	1.00%	6.20%
Large/Mid cap US equities	15.75%	6.70%
Small Cap US equities	1.31%	6.99%
Micro Cap US equities	1.31%	7.01%
Developed foreign equities	13.13%	6.73%
Emerging market equities	4.12%	7.25%
Non-US small Cap equities	1.88%	7.22%
Private equities	17.50%	7.97%
Real estate (property)	10.00%	5.84%
Real estate (REITS)	2.50%	6.69%
Hedge fund of funds - diversified	2.50%	4.64%
Hedge fund - event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.86%	4.58%
Total	<u>100.00%</u>	
Assumed inflation - mean		2.50%

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

At June 30, 2018, the District reported a liability of \$8,268,801 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. 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 0.06134108 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$1,348,756. Pension expense was generated during the measurement period as a result of less than anticipated investment returns and factors associated with the Moro Decision. The \$1,348,756 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 63%, 35% and 2%, respectively.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 12 – PENSION AND RETIREMENT PLANS (continued)**

**Oregon Public Employees Retirement Plan (continued)**

At June 30, 2018, 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	\$ 399,883	\$ -
Changes of assumptions	1,507,255	-
Net difference between projected and actual earning on investments	85,188	-
Changes in proportionate share	902,040	-
Differences between employer contributions and employers proportionate share of system contributions	-	701,559
District contributions subsequent to the measurement date	480,563	-
	\$ 3,374,929	\$ 701,559

\$480,563 was reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2018.

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

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)
2018	\$ 441,364
2019	1,116,314
2020	785,295
2021	(165,776)
2022	15,610
Thereafter	-
Total	\$ 2,192,807

**Sensitivity for the District’s Proportionate Share of the Net Pension Asset (Liability) to Changes in Discount Rate**

The following presents the District’s proportionate share of the net pension asset (liability) calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension asset (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	\$ 14,091,546	\$ 8,268,801	\$ 3,399,907

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE 12 – PENSION AND RETIREMENT PLANS (continued)**

**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.

*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 2018, the District, as an employee benefit, paid the employees portion of the contribution. For 2018, the District paid \$496,499 for this contribution.

**NOTE 13 – 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.

**NOTE 14 – 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 15 – COMMITMENTS AND 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 16 – TAX ABATEMENTS**

As of June 30, 2018, Curry County did not provide tax abatement programs for any school districts within the county. For the fiscal year ended June 30, 2018, Brookings-Harbor School District did not have any abated property taxes.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 17 – 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.

**NOTE 18 – SUBSEQUENT EVENTS**

Management of the District has evaluated events and transactions occurring after June 30, 2018 through December 26, 2018 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 for OPERS and effective July 1, 2018 for the District. 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.

**Other**

In August, 2018 the District entered into a capital lease for a 2019 Blue Bird school bus, estimated value of \$119,491.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset/(liability)	0.06134108%	0.0545384%	0.0444722%	0.0418436%	0.0418436%
District's proportion of the net pension asset/(liability)	\$ (8,268,801)	\$ (8,187,479)	\$ (2,551,920)	\$ 948,474	\$ (2,135,339)
District's covered-employee payroll	\$ 8,263,931	\$ 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	-100.06%	-101.64%	-34.09%	13.81%	-31.58%
Plan fiduciary net position as a percentage of the total pension liability	83.12%	80.53%	91.88%	103.59%	91.97%

**Brookings-Harbor School District 17C Contributions**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 480,563	\$ 116,975	\$ 177,239	\$ 374,375	\$ 327,355
Contribution in relation to the contractually required	\$ (480,563)	\$ (116,975)	\$ (177,239)	\$ (374,375)	\$ (327,355)
Contributions deficiency (excess)	-	-	-	-	-
District's covered - employee payroll	\$ 8,263,931	\$ 8,055,463	\$ 7,486,068	\$ 6,865,619	\$ 6,761,490
Contributions as a percentage of covered-employee payroll	5.82%	1.45%	2.37%	5.45%	4.84%

**Notes to Schedule -**

**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 five years of information is presented.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OTHER POST-  
EMPLOYMENT BENEFIT ASSET/(LIABILITY) AND SCHEDULE OF THE DISTRICT'S  
CONTRIBUTIONS - OPERS RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)  
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)**

**Brookings-Harbor School District No. 17C Proportionate Share of Net OPEB Asset/(Liability)**

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	<b>2018</b>
District's of proportion of the net OPEB asset/(liability)	0.07802691%
District's proportion of the net OPEB asset/(liability)	\$ 32,564
District's covered-employee payroll	\$ 8,263,931
District's proportionate share of the net OPEB asset/(liability) as a percentage of its covered-employee payroll	0.39%
Plan fiduciary net position as a percentage of the total OPEB liability	108.88%

**Brookings-Harbor School District No. 17C Contributions**

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	<b>2018</b>
Contractually required contributions	\$ 38,279
Contribution in relation to the contractually required	\$ (38,279)
Contributions deficiency (excess)	-
District's covered - employee payroll	\$ 8,263,931
Contributions as a percentage of covered-employee payroll	0.46%

**Notes to Schedule -**

***Other information:***

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 75 during fiscal 2018, as a result, only one year of information is presented.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB  
LIABILITY AND RELATED RATIOS  
YEAR ENDED JUNE 30, 2018**

<b>Total OPEB Liability (Medical):</b>	<u><b>2018</b></u>
Service cost	\$ 77,473
Interest	17,646
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions of other inputs	(25,532)
Benefit payments	<u>(85,732)</u>
<b>Net change in total OPEB liability (Medical)</b>	<b>(16,145)</b>
Total OPEB liability - beginning	<u>\$ 584,252</u>
Total OPEB liability - ending	<u><u>\$ 568,107</u></u>
Estimated Covered - employee payroll	\$ 8,263,931
Total OPEB liability as a percentage of estimated covered - employee payroll	6.87%

**Notes to Schedule -**

***Significant methods and assumptions used in calculating the actuarially determined contributions:***

Significant methods and assumptions used in calculating the actuarially determined contributions are described in Note 11 to the financial statements. No assets are accumulated in a trust to pay related benefits.

***Changes in benefit terms:***

None noted.

***Other information:***

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 75 during fiscal 2018, as a result, only one year of information is presented.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Local sources:				
Property taxes	\$ 5,545,445	\$ 5,545,445	\$ 5,690,611	\$ 145,166
Charges for services	25,000	25,000	2,338	(22,662)
Donations	-	-	21,181	21,181
Interest on investments	20,000	20,000	56,679	36,679
Miscellaneous	50,000	50,000	55,094	5,094
Intermediate sources:				
Intergovernmental	574,000	574,000	593,832	19,832
State sources:				
Basic school support	8,477,269	8,477,269	9,200,818	723,549
Intergovernmental	195,592	195,592	142,396	(53,196)
Federal sources:				
Intergovernmental	-	-	286,912	286,912
<b>TOTAL REVENUES</b>	<u>14,887,306</u>	<u>14,887,306</u>	<u>16,049,861</u>	<u>1,162,555</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	8,728,435	9,128,435	8,855,009	273,426
Support services	5,948,143	6,348,143	6,450,055	(101,912)
Facilities acquisition	-	150,000	87,105	62,895
Contingency	1,687,728	708,728	-	708,728
<b>TOTAL EXPENDITURES</b>	<u>16,364,306</u>	<u>16,335,306</u>	<u>15,392,169</u>	<u>943,137</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,477,000)</u>	<u>(1,448,000)</u>	<u>657,692</u>	<u>2,105,692</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	4,600	4,600
Transfers out	(623,000)	(652,000)	(652,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(623,000)</u>	<u>(652,000)</u>	<u>(647,400)</u>	<u>4,600</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(2,100,000)</u>	<u>(2,100,000)</u>	<u>10,292</u>	<u>2,110,292</u>
<b>FUND BALANCE - JULY 1, 2017</b>	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,565,718</u>	<u>465,718</u>
<b>FUND BALANCE - JUNE 30, 2018</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,576,010</u>	<u>\$ 2,576,010</u>

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL REVENUE FUND  
FISCAL YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Local sources:				
Charges for services	\$ 51,500	\$ 51,500	\$ 56,423	\$ 4,923
Donations	-	-	13,200	13,200
Interest on investments	85,000	85,000	32,600	(52,400)
Miscellaneous	261,082	261,082	288,925	27,843
Intermediate sources:				
Intergovernmental	45,000	45,000	1,138	(43,862)
State sources:				
Intergovernmental	110,255	340,255	291,540	(48,715)
Federal sources:				
Intergovernmental	1,382,948	1,382,948	1,403,997	21,049
<b>TOTAL REVENUES</b>	<u>1,935,785</u>	<u>2,165,785</u>	<u>2,087,823</u>	<u>(77,962)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	1,506,198	1,506,198	1,649,430	(143,232)
Support services	1,071,590	1,100,590	515,044	585,546
Community services	625,443	625,443	692,511	(67,068)
Debt service	110,000	110,000	107,328	2,672
Contingency	331,600	331,600	-	331,600
<b>TOTAL EXPENDITURES</b>	<u>3,644,831</u>	<u>3,673,831</u>	<u>2,964,313</u>	<u>709,518</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,709,046)</u>	<u>(1,508,046)</u>	<u>(876,490)</u>	<u>631,556</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt	110,000	110,000	115,274	5,274
Transfers in	623,000	652,000	652,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>733,000</u>	<u>762,000</u>	<u>767,274</u>	<u>5,274</u>
<b>NET CHANGE IN FUND BALANCE</b>	(976,046)	(746,046)	(109,216)	636,830
<b>FUND BALANCE - JULY 1, 2017</b>	<u>3,936,046</u>	<u>3,936,046</u>	<u>3,817,400</u>	<u>(118,646)</u>
<b>FUND BALANCE - JUNE 30, 2018</b>	<u>\$ 2,960,000</u>	<u>\$ 3,190,000</u>	<u>\$ 3,708,184</u>	<u>\$ 518,184</u>

**OTHER SUPPLEMENTARY INFORMATION**

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
DEBT SERVICE FUND  
FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources:				
Property taxes	\$ 1,280,292	\$ 1,280,292	\$ 1,341,745	\$ 61,453
Interest on investments	7,000	7,000	33,831	26,831
<b>TOTAL REVENUES</b>	<u>1,287,292</u>	<u>1,287,292</u>	<u>1,375,576</u>	<u>88,284</u>
<b>EXPENDITURES</b>				
Debt service	<u>1,287,292</u>	<u>1,287,292</u>	<u>1,287,172</u>	<u>120</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	88,404	88,404
<b>FUND BALANCE - JULY 1, 2017</b>	<u>1,127,166</u>	<u>1,127,166</u>	<u>1,221,512</u>	<u>94,346</u>
<b>FUND BALANCE - JUNE 30, 2018</b>	<u><u>\$ 1,127,166</u></u>	<u><u>\$ 1,127,166</u></u>	<u><u>\$ 1,309,916</u></u>	<u><u>\$ 182,750</u></u>

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources:				
Interest on investments	\$ 1,850	\$ 1,850	\$ 10,403	\$ 8,553
Miscellaneous	-	-	22,971	22,971
State sources:				
Intergovernmental	<u>4,499,600</u>	<u>4,499,600</u>	<u>1,393,231</u>	<u>(3,106,369)</u>
<b>TOTAL REVENUES</b>	<u>4,501,450</u>	<u>4,501,450</u>	<u>1,426,605</u>	<u>(3,074,845)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>4,501,450</u>	<u>4,501,450</u>	<u>1,396,164</u>	<u>3,105,286</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	30,441	30,441
<b>FUND BALANCE - JULY 1, 2017</b>	<u>286,315</u>	<u>286,315</u>	<u>289,704</u>	<u>3,389</u>
<b>FUND BALANCE - JUNE 30, 2018</b>	<u>\$ 286,315</u>	<u>\$ 286,315</u>	<u>\$ 320,145</u>	<u>\$ 33,830</u>

**OTHER FINANCIAL SCHEDULES**

**SCHOOL DISTRICT FINANCIAL**  
**ACCOUNTING SUMMARIES**

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**2017-18 SCHOOL DISTRICT AUDIT ALL FUND REVENUE SUMMARY**

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
<b>Revenue from Local Sources</b>							
1110 Ad Valorem Taxes Levied by District	5,690,611	-	1,341,745	-	-	-	-
1120 Local Option Ad Valorem Taxes Levied by District	-	-	-	-	-	-	-
1130 Construction Excise Tax	-	-	-	-	-	-	-
1190 Penalties and Interest on Taxes	-	-	-	-	-	-	-
1200 Revenue from Local Gov't Units Other Than Districts	-	-	-	-	-	-	-
1310 Regular Day School Tuition	-	-	-	-	-	-	-
1320 Adult/Continuing Education Tuition	-	-	-	-	-	-	-
1330 Summer School Tuition	-	-	-	-	-	-	-
1400 Transportation Fees	2,338	-	-	-	-	-	-
1500 Earnings on Investments	56,679	32,600	33,831	10,403	-	-	-
1600 Food Service	-	56,423	-	-	-	-	-
1700 Extracurricular Activities	-	-	-	-	-	-	-
1800 Community Services Activities	-	-	-	-	-	-	-
1910 Rentals	-	-	-	-	-	-	-
1920 Contributions and Donations From Private Sources	21,181	13,200	-	-	-	-	-
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	10,250	-	-	22,971	-	-	-
1980 Fees Charged to Grants	-	-	-	-	-	-	-
1990 Miscellaneous	44,844	288,925	-	-	-	-	-
<b>Total Revenue from Local Sources</b>	<b>5,825,903</b>	<b>391,148</b>	<b>1,375,576</b>	<b>33,374</b>			

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
<b>Revenue from Intermediate Sources</b>							
2101 County School Funds	136,092	-	-	-	-	-	-
2102 Education Service District Apportionment	457,740	-	-	-	-	-	-
2105 Natural Gas, Oil, and Mineral Receipts	-	-	-	-	-	-	-
2199 Other Intermediate Sources	-	-	-	-	-	-	-
2200 Restricted Revenue	-	1,138	-	-	-	-	-
2800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-
2900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-
<b>Total Revenue from Intermediate Sources</b>	<b>593,832</b>	<b>1,138</b>					

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
<b>Revenue from State Sources</b>							
3101 State School Fund - General Support	9,200,818	-	-	-	-	-	-
3102 State School Fund - School Lunch Match	-	-	-	-	-	-	-
3103 Common School Fund	142,396	-	-	-	-	-	-
3104 State Managed County Timber	-	-	-	-	-	-	-
3199 Other Unrestricted Grants-in-Aid	-	-	-	-	-	-	-
3204 Driver Education	-	-	-	-	-	-	-
3222 State School Fund (SSF) Transportation Equipment	-	-	-	-	-	-	-
3299 Other Restricted Grants-in-Aid	-	291,540	-	1,393,231	-	-	-
3800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-
3900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-
<b>Total Revenue from State Sources</b>	<b>9,343,214</b>	<b>291,540</b>		<b>1,393,231</b>			

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
<b>Revenue from Federal Sources</b>							
4100 Unrestricted Revenue Direct From the Federal Gov't	-	-	-	-	-	-	-
4200 Unrest Rev From the Federal Gov't Through the State	-	-	-	-	-	-	-
4300 Restricted Revenue From the Federal Government	-	68,607	-	-	-	-	-
4500 Restricted Rev From the Fed Gov't Through the State	-	1,287,567	-	-	-	-	-
4700 Grants-In-Aid From the Fed Gov't Through Intermediate	-	13,848	-	-	-	-	-
4801 Federal Forest Fees	286,912	-	-	-	-	-	-
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	-	33,975	-	-	-	-	-
<b>Total Revenue from Federal Sources</b>	<b>286,912</b>	<b>1,403,997</b>					

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
<b>Revenue from Other Sources</b>							
5100 Long Term Debt Financing Sources	-	115,274	-	-	-	-	-
5200 Interfund Transfers	-	652,000	-	-	-	-	-
5300 Sale of or Compensation for Loss of Fixed Assets	4,600	-	-	-	-	-	-
5400 Resources - Beginning Fund Balance	2,565,718	3,817,400	1,221,512	289,704	-	-	-
<b>Total Revenue from Other Sources</b>	<b>2,570,318</b>	<b>4,584,674</b>	<b>1,221,512</b>	<b>289,704</b>			

<b>Grand Totals</b>	<b>18,620,179</b>	<b>6,672,497</b>	<b>2,597,088</b>	<b>1,716,309</b>			
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**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**2017-18 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY**  
**FUND 100 - GENERAL FUND**

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
<b>Instruction Expenditures</b>								
1111 Primary, K-3	3,218,291	1,883,253	785,032	17,659	151,921	-	380,426	-
1113 Intermediate Programs	-	-	-	-	-	-	-	-
1121 Elementary Extracurricular	1,540,287	885,724	426,825	9,372	83,772	-	134,594	-
1122 Middle/Junior High Programs	10,897	9,132	1,765	-	-	-	-	-
1131 Middle/Junior High Extracurricular	2,246,418	1,381,645	512,951	26,379	149,373	-	176,070	-
1132 High School Programs	67,479	55,989	11,490	-	-	-	-	-
1140 High School Extracurricular	-	-	-	-	-	-	-	-
1210 Pre-Kindergarten Programs	180	-	-	-	180	-	-	-
1220 Talented & Gifted	-	-	-	-	-	-	-	-
1250 Restrict Prog for Students w/Disabilities	1,445,024	856,904	515,733	27,153	45,234	-	-	-
1260 Less Restrict Prog Students w/Disabilities	62,779	-	-	48,720	14,059	-	-	-
1271 Early Intervention	-	-	-	-	-	-	-	-
1272 Remediation	-	-	-	-	-	-	-	-
1280 Title I	201,540	121,808	43,509	2,791	33,432	-	-	-
1291 Alternative Education	61,481	48,167	11,774	206	1,334	-	-	-
1292 English as a Second Language	-	-	-	-	-	-	-	-
1293 Teen Parent Program	-	-	-	-	-	-	-	-
1294 Migrant Education	-	-	-	-	-	-	-	-
1295 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	633	84	11	-	538	-	-	-
<b>Total Instruction</b>	<b>8,855,009</b>	<b>5,242,706</b>	<b>2,309,090</b>	<b>132,280</b>	<b>479,843</b>	<b>-</b>	<b>691,090</b>	<b>-</b>
<b>Support Services Expenditures</b>								
2110 Attendance & Social Work Services	-	-	-	-	-	-	-	-
2120 Guidance Services	438,230	270,289	110,947	50,306	6,263	-	425	-
2130 Health Services	125,521	91,054	30,877	849	2,741	-	-	-
2140 Psychological Services	109,494	-	-	102,133	7,361	-	-	-
2150 Speech Pathology & Audiology	190,186	111,077	60,993	16,155	1,961	-	-	-
2160 Other Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support	232,012	133,305	51,851	44,657	1,545	-	654	-
2210 Improvement of Instruction	7,434	-	-	7,250	184	-	-	-
2220 Educational Media Services	279,797	156,492	107,364	200	12,748	-	2,993	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	-	-	-	-	-	-	-	-
2310 Board of Education Services	88,285	-	-	83,026	3,486	-	1,773	-
2320 Executive Administration Services	371,852	212,914	84,637	67,542	4,440	-	2,319	-
2410 Office of the Principal Services	1,301,624	886,742	351,442	33,005	23,870	-	6,565	-
2490 Other Support Services - School Admin	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	403,617	175,221	39,691	78,402	9,772	-	100,531	-
2540 Operation & Maint of Plant Services	1,368,834	507,728	256,494	531,430	64,496	8,686	-	-
2550 Student Transportation Services	827,623	380,642	273,108	38,047	99,612	-	36,214	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	350,953	144,867	47,174	18,023	135,552	-	5,337	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2680 Interpretation and Translation Services	-	-	-	-	-	-	-	-
2690 Other Support Services	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	354,593	-	-	-	-	-	354,593	-
<b>Total Support Services</b>	<b>6,450,055</b>	<b>3,070,331</b>	<b>1,414,578</b>	<b>1,071,025</b>	<b>374,031</b>	<b>8,686</b>	<b>511,404</b>	<b>-</b>
<b>Enterprise and Community Services Expenditures</b>								
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody & Care of Children Services	-	-	-	-	-	-	-	-
<b>Total Enterprise and Community Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Facilities Acquisition and Construction Expenditures</b>								
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition & Development Services	-	-	-	-	-	-	-	-
4150 Bldg Acquisition, Construction & Improvement	87,105	-	-	87,105	-	-	-	-
4180 Other Facilities Construction Services	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
<b>Total Facilities Acquisition and Construction</b>	<b>87,105</b>	<b>-</b>	<b>-</b>	<b>87,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Uses Expenditures</b>								
5100 Debt Service	-	-	-	-	-	-	-	-
5200 Transfers to Other Funds	652,000	-	-	-	-	-	-	652,000
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 Contingencies	-	-	-	-	-	-	-	-
<b>Total Other Uses</b>	<b>652,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>652,000</b>
<b>Total Requirements and Balances</b>	<b>\$ 16,044,169</b>	<b>\$ 8,313,037</b>	<b>\$ 3,723,668</b>	<b>\$ 1,290,410</b>	<b>\$ 853,874</b>	<b>\$ 8,686</b>	<b>\$ 1,202,494</b>	<b>\$ 652,000</b>

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**2017-18 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY**  
**FUND 200 - SPECIAL REVENUE FUND**

**Instruction Expenditures**

1111 Primary, K-3
1113 Intermediate Programs
1121 Elementary Extracurricular
1122 Middle/Junior High Programs
1131 Middle/Junior High Extracurricular
1132 High School Programs
1140 High School Extracurricular
1210 Pre-Kindergarten Programs
1220 Talented & Gifted
1250 Restrict Prog for Students w/Disabilities
1260 Less Restrict Prog Students w/Disabilities
1271 Early Intervention
1272 Remediation
1280 Title I
1291 Alternative Education
1292 English as a Second Language
1293 Teen Parent Program
1294 Migrant Education
1295 Youth Corrections Education
1299 Other Programs
1300 Adult/Continuing Education Programs
1400 Summer School Programs
<b>Total Instruction</b>

Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
82,899	\$42,939	27,359	850	11,751	-	-	-
556	-	-	-	556	-	-	-
119,215	-	-	-	119,215	-	-	-
82,848	30,987	4,857	5,432	39,064	-	2,508	-
371,372	78,489	38,328	27,327	226,628	-	600	-
367,112	97,242	9,183	64,252	160,817	-	35,618	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
283,282	187,522	95,760	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
336,028	194,578	141,450	-	-	-	-	-
1,065	-	-	-	1,065	-	-	-
5,053	357	71	751	3,874	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,649,430	632,114	317,008	98,612	562,970	-	38,726	-

**Support Services Expenditures**

2110 Attendance & Social Work Services
2120 Guidance Services
2130 Health Services
2140 Psychological Services
2150 Speech Pathology & Audiology
2160 Other Treatment Services
2190 Service Direction, Student Support
2210 Improvement of Instruction
2220 Educational Media Services
2230 Assessment & Testing
2240 Instructional Staff Development
2310 Board of Education Services
2320 Executive Administration Services
2410 Office of the Principal Services
2490 Other Support Services - School Admin
2510 Direction of Business Support Services
2520 Fiscal Services
2540 Operation & Maint of Plant Services
2550 Student Transportation Services
2570 Internal Services
2610 Direction of Central Support Services
2620 Planning, Research, Development, Evaluation
2630 Information Services
2640 Staff Services
2660 Technology Services
2670 Records Management Services
2680 Interpretation and Translation Services
2690 Other Support Services
2700 Supplemental Retirement Program
<b>Total Support Services</b>

Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
-	-	-	-	-	-	-	-
97,484	\$67,826	24,645	3,772	1,241	-	-	-
1,510	-	-	1,510	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,687	-	-	1,687	-	-	-	-
80,630	4,817	981	74,832	-	-	-	-
3,621	-	-	-	3,621	-	-	-
-	-	-	-	-	-	-	-
10,010	8,569	1,441	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,648	-	-	1,648	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
177,961	-	-	88,238	53,862	35,861	-	-
115,274	-	-	-	-	115,274	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
515,044	81,212	27,067	171,687	83,943	151,135	-	-

**Enterprise and Community Services Expenditures**

3100 Food Services
3200 Other Enterprise Services
3300 Community Services
3500 Custody & Care of Children Services
<b>Total Enterprise and Community Services</b>

Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
692,511	198,905	107,033	20,461	295,150	70,248	714	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
692,511	198,905	107,033	20,461	295,150	70,248	714	-

**Facilities Acquisition and Construction Expenditures**

4110 Service Area Direction
4120 Site Acquisition & Development Services
4150 Bldg Acquisition, Construction & Improvement
4180 Other Facilities Construction Services
4190 Other Facilities Construction Services
<b>Total Facilities Acquisition and Construction</b>

Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

**Other Uses Expenditures**

5100 Debt Service
5200 Transfers to Other Funds
5300 Apportionment of Funds by ESD
5400 Contingencies
<b>Total Other Uses</b>

Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
107,328	-	-	-	-	-	107,328	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
107,328	-	-	-	-	-	107,328	-

<b>Total Requirements and Balances</b>	\$ 2,964,313	\$ 912,231	\$ 451,108	\$ 290,760	\$ 942,063	\$ 221,383	\$ 146,768	\$ -
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**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**2017-18 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY**  
**FUND 300 - DEBT SERVICE FUND**

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
<b>Instruction Expenditures</b>								
1111 Primary, K-3	-	-	-	-	-	-	-	-
1113 Intermediate Programs	-	-	-	-	-	-	-	-
1121 Elementary Extracurricular	-	-	-	-	-	-	-	-
1122 Middle/Junior High Programs	-	-	-	-	-	-	-	-
1131 Middle/Junior High Extracurricular	-	-	-	-	-	-	-	-
1132 High School Programs	-	-	-	-	-	-	-	-
1140 High School Extracurricular	-	-	-	-	-	-	-	-
1210 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1220 Talented & Gifted	-	-	-	-	-	-	-	-
1250 Restrict Prog for Students w/Disabilities	-	-	-	-	-	-	-	-
1260 Less Restrict Prog Students w/Disabilities	-	-	-	-	-	-	-	-
1271 Early Intervention	-	-	-	-	-	-	-	-
1272 Remediation	-	-	-	-	-	-	-	-
1280 Title I	-	-	-	-	-	-	-	-
1291 Alternative Education	-	-	-	-	-	-	-	-
1292 English as a Second Language	-	-	-	-	-	-	-	-
1293 Teen Parent Program	-	-	-	-	-	-	-	-
1294 Migrant Education	-	-	-	-	-	-	-	-
1295 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
<b>Total Instruction</b>	-	-	-	-	-	-	-	-
<b>Support Services Expenditures</b>								
2110 Attendance & Social Work Services	-	-	-	-	-	-	-	-
2120 Guidance Services	-	-	-	-	-	-	-	-
2130 Health Services	-	-	-	-	-	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology & Audiology	-	-	-	-	-	-	-	-
2160 Other Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support	-	-	-	-	-	-	-	-
2210 Improvement of Instruction	-	-	-	-	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	-	-	-	-	-	-	-	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Admin	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation & Maint of Plant Services	-	-	-	-	-	-	-	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	-	-	-	-	-	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2680 Interpretation and Translation Services	-	-	-	-	-	-	-	-
2690 Other Support Services	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
<b>Total Support Services</b>	-	-	-	-	-	-	-	-
<b>Enterprise and Community Services Expenditures</b>								
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody & Care of Children Services	-	-	-	-	-	-	-	-
<b>Total Enterprise and Community Services</b>	-	-	-	-	-	-	-	-
<b>Facilities Acquisition and Construction Expenditures</b>								
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition & Development Services	-	-	-	-	-	-	-	-
4150 Bldg Acquisition, Construction & Improvement	-	-	-	-	-	-	-	-
4180 Other Facilities Construction Services	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
<b>Total Facilities Acquisition and Construction</b>	-	-	-	-	-	-	-	-
<b>Other Uses Expenditures</b>								
5100 Debt Service	1,287,172	-	-	-	-	-	1,287,172	-
5200 Transfers to Other Funds	-	-	-	-	-	-	-	-
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 Contingencies	-	-	-	-	-	-	-	-
<b>Total Other Uses</b>	1,287,172	-	-	-	-	-	1,287,172	-
<b>Total Requirements and Balances</b>	\$ 1,287,172	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,287,172	\$ -

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**2017-18 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY**  
**FUND 400 - CAPITAL PROJECTS FUND**

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
<b>Instruction Expenditures</b>								
1111 Primary, K-3	-	-	-	-	-	-	-	-
1113 Intermediate Programs	-	-	-	-	-	-	-	-
1121 Elementary Extracurricular	-	-	-	-	-	-	-	-
1122 Middle/Junior High Programs	-	-	-	-	-	-	-	-
1131 Middle/Junior High Extracurricular	-	-	-	-	-	-	-	-
1132 High School Programs	-	-	-	-	-	-	-	-
1140 High School Extracurricular	-	-	-	-	-	-	-	-
1210 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1220 Talented & Gifted	-	-	-	-	-	-	-	-
1250 Restrict Prog for Students w/Disabilities	-	-	-	-	-	-	-	-
1260 Less Restrict Prog Students w/Disabilities	-	-	-	-	-	-	-	-
1271 Early Intervention	-	-	-	-	-	-	-	-
1272 Remediation	-	-	-	-	-	-	-	-
1280 Title I	-	-	-	-	-	-	-	-
1291 Alternative Education	-	-	-	-	-	-	-	-
1292 English as a Second Language	-	-	-	-	-	-	-	-
1293 Teen Parent Program	-	-	-	-	-	-	-	-
1294 Migrant Education	-	-	-	-	-	-	-	-
1295 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
<b>Total Instruction</b>	-	-	-	-	-	-	-	-
<b>Support Services Expenditures</b>								
2110 Attendance & Social Work Services	-	-	-	-	-	-	-	-
2120 Guidance Services	-	-	-	-	-	-	-	-
2130 Health Services	-	-	-	-	-	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology & Audiology	-	-	-	-	-	-	-	-
2160 Other Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support	-	-	-	-	-	-	-	-
2210 Improvement of Instruction	-	-	-	-	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	-	-	-	-	-	-	-	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Admin	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation & Maint of Plant Services	-	-	-	-	-	-	-	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	-	-	-	-	-	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2680 Interpretation and Translation Services	-	-	-	-	-	-	-	-
2690 Other Support Services	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
<b>Total Support Services</b>	-	-	-	-	-	-	-	-
<b>Enterprise and Community Services Expenditures</b>								
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody & Care of Children Services	-	-	-	-	-	-	-	-
<b>Total Enterprise and Community Services</b>	-	-	-	-	-	-	-	-
<b>Facilities Acquisition and Construction Expenditures</b>								
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition & Development Services	-	-	-	-	-	-	-	-
4150 Bldg Acquisition, Construction & Improvement	1,396,164	-	-	\$233,800	-	1,142,661	19,703	-
4180 Other Facilities Construction Services	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
<b>Total Facilities Acquisition and Construction</b>	1,396,164	-	-	233,800	-	1,142,661	19,703	-
<b>Other Uses Expenditures</b>								
5100 Debt Service	-	-	-	-	-	-	-	-
5200 Transfers to Other Funds	-	-	-	-	-	-	-	-
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 Contingencies	-	-	-	-	-	-	-	-
<b>Total Other Uses</b>	-	-	-	-	-	-	-	-
<b>Total Requirements and Balances</b>	\$ 1,396,164	\$ -	\$ -	\$ 233,800	\$ -	\$ 1,142,661	\$ 19,703	\$ -

SUPPLEMENTAL INFORMATION, 2017-2018

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 ESSA, Title I & other Federal Funds for Education.

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

Please enter your expenditures for electricity, heating fuel, and water & sewage for these Functions & Objects.

	<b>Objects 325 &amp; 326 &amp; *327</b>
Function 2540	\$312,283
Function 2550	\$3,967

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

\$8,686
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**\*Object code 327** (water and sewage) has been added to Part A to be included in the Function 2540 and 2550 totals.

**AUDIT COMMENTS AND DISCLOSURES**  
**REQUIRED BY STATE REGULATIONS**

## 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 Brookings-Harbor School District No. 17C (the District) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 26, 2018. 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 grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion.

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

- 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 (ORS Chapter 294).
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.
- State school fund factors and calculation.

In connection with our audit, 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 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as disclosed in Note 1 of the financial statements. It is noted, the District did not follow Oregon Budget Law relating to appropriation transfer authority within the General Fund. Additionally, the District exceeded its appropriation authority in the General Fund and Special Revenue Fund.

## **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.

### **Restrictions on Use**

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

*Stewart C. Parmele, CPA, Partner*

Stewart Parmele CPA, Partner  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
December 26, 2018

**ITEMS REQUIRED BY THE UNIFORM GUIDANCE**

**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 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 26, 2018.

**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 District'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

**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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-002.

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 C. Parmele, CPA, Partner*

Stewart Parmele CPA, Partner  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
December 26, 2018

**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 the Brookings-Harbor School District No. 17C'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 each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each 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 each of its major federal programs for the year ended June 30, 2018.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs under finding number 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs under finding number 2018-003, that we consider to be material weaknesses.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 C. Parmele, CPA, Partner*

Stewart Parmele CPA, Partner  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
December 26, 2018

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Expenditures
<b>U.S. Department of Education:</b>			
<i>Passed through Oregon State Department of Education:</i>			
Title I - Grants to Local Education Agencies	84.010	45551	\$ 336,028
Total CFDA 84.010			<u>336,028</u>
Special Education Cluster (IDEA):			
IDEA Part B Sec 611	84.027	45138	282,221
IDEA Part B Sec 611	84.027	41472	1,061
IDEA Part B Sec 611 Enhancement	84.027	46384	2,652
SPR&I Formula	84.027	44339	1,687
Post School Outcomes	84.027	48879	617
Total Special Education Cluster (IDEA)			<u>288,238</u>
Title VI - Rural and Low Income Schools	84.358	47604	20,260
Total CFDA 84.358			<u>20,260</u>
Title IIA - Supporting Effective Instruction State Grant	84.367	45765	54,512
Total CFDA 84.367			<u>54,512</u>
<i>Passed through Southern Oregon ESD:</i>			
Career and Technical Education - Basic Grants to States	84.048	N/A	12,053
Total CFDA 84.048			<u>12,053</u>
Title III - English Language Acquisition State Grant	84.365	N/A	1,178
Total CFDA 84.365			<u>1,178</u>
<i>Passed through Oregon Department of Human Services:</i>			
YTP - Basic Vocational Rehabilitation Services Grant	84.126A	N/A	76,002
Total CFDA 84.126A			<u>76,002</u>
<i>Direct Federal Award:</i>			
Title V - Indian Education	84.060A	N/A	68,607
Total CFDA 84.060A			<u>68,607</u>
<b>Total U.S. Department of Education</b>			<u><b>856,878</b></u>
<b>U.S. Department of Agriculture:</b>			
<i>Passed through Oregon State Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program (SBP)	10.553	N/A	176,152
National School Lunch Program (NSCP)	10.555	N/A	328,919
Commodities (Note C)	10.555	N/A	33,975
Summer Food Service Program for Children (SFSP)	10.559	N/A	7,298
Total Child Nutrition Cluster			<u>546,344</u>
State Administrative Expenses for Child Nutrition	10.560	N/A	775
Total State Administrative Expenses for Child Nutrition			<u>775</u>
<i>Passed through Curry County:</i>			
Schools and Roads - Grants to Counties	10.665	N/A	286,912
Total Forest Service Schools and Roads Cluster			<u>286,912</u>
<b>Total U.S. Department of Agriculture</b>			<u><b>834,031</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 1,690,909</b></u>

Note: There were no awards passed through to subrecipients

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Brookings-Harbor School District No. 17C (the District) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, and changes in fund balance of the District.

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

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE D – INDIRECT COST RATE**

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

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2018**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the District.
2. One material weakness in internal control over the financial reporting (Finding 2018-1) is 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. One instance of noncompliance material to the basic financial statements of the District (Finding 2018-2) is 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*.
4. One material weakness relating to the audit of the major federal award program (Finding 2018-3) is 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 auditor's report on compliance for the major federal award programs for the District expresses an unmodified opinion on each of the major programs.
6. The program tested as the major program was:  
US Department of Education:  
    Special Education Cluster (IDEA)  
    Forest Service School and Road Cluster
7. The threshold used for distinguishing between Type A and B programs was \$750,000.
8. The District qualified as a low-risk auditee under the criteria specified in the Uniform Guidance.
9. Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in this Schedule.

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2018-001 Cash Reconciliation - Material Weakness**

*Criteria* – Bank reconciliations are an essential internal control tool in preventing and detecting fraud, identifying accounting and bank errors, and ensuring completeness of the accounting records.

*Condition* – Bank reconciliations were not consistently performed throughout the year.

*Cause* – Management did not reconcile the cash account balances to the bank balances in order to determine the accounts equaled the aggregate of all outstanding cash accounts.

*Effect or Potential Effect* – By not performing reconciliations, there is the possibility of the understatement/overstatement of cash and cash equivalents and the understatement/overstatement of revenue and expenditures.

*Recommendation* – Management should perform monthly reconciliations of the cash accounts, to ensure that the balance in the general ledger by fund agrees to the reconciled balance of the bank accounts.

*Views of Responsible Officials and Planned Corrective Actions* – Management will make sure that the monthly cash reconciliation process is completed timely and reviewed for accuracy.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2018**

**SECTION II - FINANCIAL STATEMENT FINDINGS (continued)**

**2018-002 Allowable Costs - Material Weakness**

As discussed at Finding 2018-003, certain unallowable costs related to payroll expense allocations were charged to grant awards. Procedures should be implemented to ensure that only allowable costs are charged to grant awards.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2018-003 Allowable Costs - Material Weakness**

US Department of Education:  
Special Education Cluster (IDEA)

*Criteria* – In accordance with 2CFR Part 200, Appendix XI, the local educational agency must use program monies for the excess costs of providing special education and related services to children with disabilities. Special education includes specially designed instruction, at no cost to the parent, to meet the unique needs of a child with a disability, including instruction conducted in the classroom, in the home, in hospitals and institutions and in other settings, and instruction in physical education. Related services include transportation and such developmental, corrective and other supportive services as may be required to assist a child with a disability to benefit from special education.

*Statement of Condition* – The District was not in compliance with Uniform Guidance, as unallowable payroll costs were charged to IDEA funds.

*Cause* – Management did not have a procedure in place to review District personnel payroll expense allocations.

*Effect or Potential Effect* – The miscalculation could result in the District having to pay back monies received under the Federal program.

*Questioned Cost* – \$20,051

*Recommendation* – We recommend the District establish a prevent control in which Budget Narratives for federal program funds are reviewed for expenditure approval. In addition, we recommend a secondary review of payroll allocations for all grant related employees.

*Views of Responsible Officials and Planned Corrective Actions* – The District agrees with the finding and recommendations and plans to implement a prevent control in which Budget Narratives for federal program grant funds are reviewed for expenditure approval as well as a secondary review of the payroll expense allocation for all grant related employees.