

**SOUTH COAST EDUCATION
SERVICE DISTRICT
Coos County, Oregon**

ANNUAL FINANCIAL REPORT

June 30, 2018



**SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon**

DISTRICT OFFICIALS

June 30, 2018

BOARD OF DIRECTORS

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Coos Bay, Oregon 97420

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23710 Carpenterville Road
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ADMINISTRATION

Tenneal Wetherell, Superintendent

Angila Petris, Director of Finance

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

TABLE OF CONTENTS

June 30, 2018

Page
Number

INTRODUCTORY SECTION

Title Page
District Officials
Table of Contents

FINANCIAL SECTION

Independent Auditor’s Report.....	1-3
Management’s Discussion and Analysis	4-11
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	12-13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position – Proprietary Funds.....	19-20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds.....	22
Statement of Fiduciary Net Position.....	23
Notes to Basic Financial Statements	24-56
Required Supplementary Information	
Schedule of the Proportionate Share of the Net Pension Liability.....	57
Schedule of Contributions	58
Schedule of the Proportionate Share of the Net OPEB Liability (Asset).....	59
Schedule of Contributions – Other Postemployment Benefits.....	60
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
General Fund.....	61
Special Revenue Fund	62
Other Supplementary Information – Individual Fund Schedules	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	63
Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual –	
Enterprise Fund	64
Internal Service Fund.....	65

OTHER FINANCIAL SCHEDULES

Revenue Summary – All Funds..... 66
Expenditure Summary –
 General Fund 67
 Special Revenue Fund 68
 Enterprise Fund..... 69
 Internal Service Fund 70
 Fiduciary Fund 71
Schedule of Property Tax Transactions 72-73
Schedule of Expenditures of Federal Awards..... 74

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Independent Auditor’s Report Required by Oregon State Regulations 75-76
Supplemental Information Required by Oregon Department of Education..... 77

FINANCIAL SECTION



KOONTZ, PERDUE, BLASQUEZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Coast Education Service District
Coos Bay, Oregon 97420

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of South Coast Education Service District, Coos County, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

South Coast Education Service District is required by Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* to record other postemployment benefits. Although the information for the Retirement Health Insurance Account (RHIA) was available, we were unable to obtain sufficient appropriate audit evidence with regard to the valuation for the implicit rate subsidy for retiree health benefits at the time of the audit. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of South Coast Education Service District, Coos County, Oregon as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 75. Our opinion is modified with respect to this matter.

The effect of applying the provisions of GASB Statement No. 75 has been reported as a restatement to beginning net position for the year ended June 30, 2018.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of the proportionate share of the net OPEB liability (asset), schedule of contributions – other postemployment benefits, and budgetary comparison information on pages 4 through 11, 57, 58, 59, 60, and 61 through 62, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of the proportionate share of the net OPEB liability (asset), and schedule of contributions – other postemployment benefits in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries 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 management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of the proportionate share of the net OPEB liability (asset), or schedule of contributions – other postemployment benefits because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Coast Education Service District's basic financial statements. The individual fund schedules, revenue and expenditure summaries, schedule of property tax transactions, schedule of expenditures of federal awards, and supplemental information required by the Oregon Department of Education are presented for purposes of additional analysis and are not a required part of the basic financial statements.

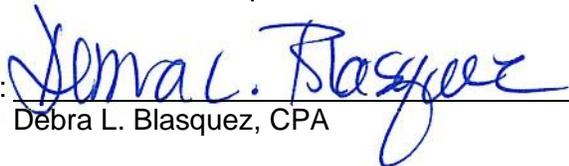
The individual fund schedules, revenue and expenditure summaries, and schedule of expenditures of federal awards are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules, revenue and expenditure summaries, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of property tax transactions and supplemental information required by the Oregon Department of Education have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 18, 2018 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

Koontz, Perdue, Blasquez & Co., P.C.

By: 
Debra L. Blasquez, CPA

Albany, Oregon
December 18, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTH COAST EDUCATION SERVICE DISTRICT

Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of South Coast Education Service District, Coos County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2018, total net position of South Coast Education Service District amounted to \$(1,400,708). Of this amount, \$2,234,363 was invested in capital assets, net of related debt. The remaining balance included \$856,214 restricted for special programs and \$(4,491,285) of unrestricted net position.
- At June 30, 2018, the District's governmental funds reported combined ending fund balances of \$2,406,353.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to South Coast Education Service District's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other 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.

The statement of net position presents information on all the District's assets and liabilities with the difference between the two reported as net position. 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.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. 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).

The government-wide financial statements can be found on pages 12 through 14 of this report.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of South Coast Education Service District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

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 available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District'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 District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Special Revenue Funds, which are considered to be major governmental funds, as well as for the Capital Projects Fund, which is considered to be a nonmajor governmental fund.

South Coast Education Service District adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

Proprietary Funds

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District maintains two proprietary funds.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses its enterprise fund to account for its financial accounting software, technology, transportation, and internet service. The Enterprise Fund does not meet the quantitative criteria in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* as amended, for presentation as a major fund; however, management considers the fund to be particularly important to financial statement users and has therefore elected to present the fund as a major proprietary fund.

Internal service funds serve as an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses its internal service fund to account for its copying and printing services provided to other funds. Because this predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

South Coast Education Service District adopts an annual appropriated budget for all of its proprietary funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic proprietary fund financial statements can be found on pages 19 through 22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of other component school districts. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is the same as that used for governmental funds.

The basic fiduciary fund financial statements can be found on page 23 of this report.

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. The notes to the basic financial statements can be found on pages 24 through 56 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of the proportionate share of the net OPEB liability (asset), schedule of contributions – other postemployment benefits, and budgetary comparison information for the General and Special Revenue Funds. This required supplementary information can be found on pages 57 through 62 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 63 through 65 of this report.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2018, the District's liabilities exceeded its assets by \$1,400,708.

A large portion of the District's net position reflects its investment in capital assets (e.g., buildings and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for supporting services provided to other local educational agencies; consequently, these assets are not available for future spending. Although the District's investment in 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, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Position

The District's net position decreased by \$462,649 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Assets and deferred outflows of resources						
Current assets	\$ 2,465,571	\$ 1,593,458	\$ 149,449	\$ 120,016	\$ 2,615,020	\$ 1,713,474
Noncurrent assets	17,939	-	30	-	17,969	-
Restricted assets	856,214	1,699,487	-	-	856,214	1,699,487
Capital assets, net of accumulated depreciation	2,302,154	2,274,841	17,912	5,664	2,320,066	2,280,505
Deferred outflows of resources	<u>3,445,573</u>	<u>5,737,318</u>	<u>5,709</u>	<u>123,240</u>	<u>3,451,282</u>	<u>5,860,558</u>
Total assets and deferred outflows of resources	<u>9,087,451</u>	<u>11,305,104</u>	<u>173,100</u>	<u>248,920</u>	<u>9,260,551</u>	<u>11,554,024</u>
Liabilities and deferred inflows of resources						
Current liabilities	586,027	665,441	4,395	12,606	590,422	678,047
Noncurrent liabilities	8,836,217	10,643,737	14,503	229,062	8,850,720	10,872,799
Deferred inflows of resources	<u>1,218,098</u>	<u>921,493</u>	<u>2,019</u>	<u>19,794</u>	<u>1,220,117</u>	<u>941,287</u>
Total liabilities and deferred inflows of resources	<u>10,640,342</u>	<u>12,230,671</u>	<u>20,917</u>	<u>261,462</u>	<u>10,661,259</u>	<u>12,492,133</u>
Net position						
Net investment in capital assets	2,216,451	2,269,758	17,912	5,664	2,234,363	2,275,422
Restricted for special programs	856,214	1,034,976	-	-	856,214	1,034,976
Unrestricted	<u>(4,625,556)</u>	<u>(4,230,301)</u>	<u>134,271</u>	<u>(18,206)</u>	<u>(4,491,285)</u>	<u>(4,248,507)</u>
Total net position	<u>\$ (1,552,891)</u>	<u>\$ (925,567)</u>	<u>\$ 152,183</u>	<u>\$ (12,542)</u>	<u>\$ (1,400,708)</u>	<u>\$ (938,109)</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

District's Changes in Net Position

The condensed statement of activities information shown below explains changes in net position.

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	2018	2017	2018	2017	2018	2017
Program revenues						
Special programs	\$ 3,779,607	\$ 4,346,743	\$ 5,467	\$ -	\$ 3,785,074	\$ 4,346,743
Student support services	1,778,842	1,946,713	-	-	1,778,842	1,946,713
Business support services	-	-	-	-	-	-
Central activities support	<u>185,052</u>	<u>-</u>	<u>237,401</u>	<u>360,197</u>	<u>422,453</u>	<u>360,197</u>
Total program revenues	<u>5,743,501</u>	<u>6,293,456</u>	<u>242,868</u>	<u>360,197</u>	<u>5,986,369</u>	<u>6,653,653</u>
General revenues						
Property taxes - general	3,682,962	3,535,855	-	-	3,682,962	3,535,855
Unrestricted state and local revenue	2,208,839	1,666,950	-	841	2,208,839	1,667,791
Insurance proceeds	244,170	405,390	-	-	244,170	405,390
Investment earnings	41,281	39,817	-	-	41,281	39,817
Miscellaneous	<u>72,524</u>	<u>52,345</u>	<u>1,669</u>	<u>482</u>	<u>74,193</u>	<u>52,827</u>
Total general revenues	<u>6,249,776</u>	<u>5,700,357</u>	<u>1,669</u>	<u>1,323</u>	<u>6,251,445</u>	<u>5,701,680</u>
Total revenues	<u>11,993,277</u>	<u>11,993,813</u>	<u>244,537</u>	<u>361,520</u>	<u>12,237,814</u>	<u>12,355,333</u>
Program expenses						
Special programs	5,066,015	5,198,877	-	-	5,066,015	5,198,877
Student support services	3,691,191	3,752,607	-	7,046	3,691,191	3,759,653
Instructional staff support	631,621	856,154	-	-	631,621	856,154
General administrative support	334,286	282,473	-	-	334,286	282,473
School administration	50,916	43,272	-	-	50,916	43,272
Business support services	1,021,729	977,756	-	-	1,021,729	977,756
Central activities support	648,014	862,901	79,054	595,039	727,068	1,457,940
Apportionment of funds by ESD	763,248	852,923	-	-	763,248	852,923
Unallocated depreciation expense	<u>140,620</u>	<u>224,340</u>	<u>808</u>	<u>373</u>	<u>141,428</u>	<u>224,713</u>
Total program expenses	<u>12,347,640</u>	<u>13,051,303</u>	<u>79,862</u>	<u>602,458</u>	<u>12,427,502</u>	<u>13,653,761</u>
Transfers	<u>(272,961)</u>	<u>(131,691)</u>	<u>-</u>	<u>(3,166)</u>	<u>(272,961)</u>	<u>(134,857)</u>
Change in net position	(627,324)	(1,189,181)	164,675	(244,104)	(462,649)	(1,433,285)
Net position - beginning of year, as restated	<u>(925,567)</u>	<u>263,614</u>	<u>(12,492)</u>	<u>231,562</u>	<u>(938,059)</u>	<u>495,176</u>
Net position - end of year	<u>\$ (1,552,891)</u>	<u>\$ (925,567)</u>	<u>\$ 152,183</u>	<u>\$ (12,542)</u>	<u>\$ (1,400,708)</u>	<u>\$ (938,109)</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, 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 near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's major governmental funds reported combined fund balances of \$2,371,352, an increase of \$69,076 over the prior year. This amount included \$42,549 of nonspendable amounts related to prepaid expenses and \$856,214 restricted for special programs. The remaining \$1,472,589 constitutes unassigned fund balance available for spending at the District's discretion.

Significant Changes in Major Governmental Fund Balances

General Fund

- Nonspendable fund balance increased 97.2% due to an increase in prepaid expenses for iVisions consortium costs because iVisions was a new contract in 2016/2017 and only had partial year expenses, whereas 2017/2018 had full year expenses.

Special Revenue Fund

- Amounts restricted for special programs decreased 17.3% due to a reduction in restricted grant revenue for special programs in 2017/2018 for multiple programs, most significantly, the CTE Revitalization Grant.

Proprietary Funds

The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the proprietary funds at year-end amounted to \$202,751. Of this amount, \$17,912 was invested in capital assets and the remaining amount of \$184,839 was unrestricted.

Significant Changes in Proprietary Fund Net Position

Enterprise Fund

- Total fund net position increased 1313% due to a reduction adjustment in expenses to account for the current change in net pension liability.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Internal Service Fund

- Total fund net position decreased 22.5% due to a reduction in copier fees.

BUDGETARY HIGHLIGHTS: GENERAL FUND

Significant variances between budgeted and actual amounts in the General Fund for the year ended June 30, 2018 include:

- State revenue was budgeted for \$1,847,672. Actual revenues were \$2,207,916 (19.5% over budget) due to increases in the Oregon Department of Education state school fund estimates.
- Apportionment of funds by ESD was budgeted for \$1,200,000. Actual apportionment amounted to \$763,248 (36.4% under budget) due to the difficult nature of estimating the amounts the component districts will request as a follow-through revenue allowed in the District's local service plan. Districts have a degree of flexibility in deciding how they will use their service credits, and anticipating those requests months in advance of the actual requests is challenging.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounted to \$2,302,154 and \$17,912, net of accumulated depreciation, respectively. This investment in capital assets includes land, construction in progress, buildings and improvements, equipment, and vehicles. The total depreciation related to the District's investment in capital assets for its governmental and business-type activities during the current fiscal year amounted to \$140,620 and \$808, respectively.

Additional information on the District's capital assets can be found in Note III-B on pages 35 through 36 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total debt outstanding of \$85,703. This amount is comprised of two capital leases and a loan. The District's total debt outstanding increased by \$80,620 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note III-E on pages 38 through 39 of this report.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its future financial health:

- The most significant factors for the District are property taxes and state school funding. Revenues received from these factors account for 60% of General Fund program revenues to provide services and programs for the school districts.
- PERS advisory rates for the July 1, 2019 through June 30, 2021 period have been posted. The PERS Tier 1 rate will increase to 32.03%. The PERS Tier 2 rate will increase to 26.58%.
- The District has successfully bargained with their administrators and classified employees to move from a composite insurance rate structure to a tier rate structure to reduce their exposure to penalties under the Affordable Care Act. In the spring of 2016, the District successfully negotiated with their certified employees to move from a composite insurance rate structure to a tier rate structure with a group health reimbursement account to lower costs and reduce exposure to penalties under the Affordable Care Act, which was implemented beginning with the plan year starting October 1, 2016. Increasing healthcare costs continue to be a concern.

All of these factors were considered in preparing the District's budget for fiscal year 2018-2019. The District is working to identify efficiencies and cost-saving measures to ensure continued support to school districts and students.

The ending unassigned General Fund balance of \$1,472,589 will be available for program resources in fiscal year 2018-2019.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of South Coast Education Service District's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the Director of Finance, Angila Petris, South Coast Education Service District, 1350 Teakwood Avenue, Coos Bay, Oregon 97420.

BASIC FINANCIAL STATEMENTS

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash and cash equivalents	\$ 2,015,928	\$ 92,695	\$ 2,108,623
Undistributed taxes with county	36,841	-	36,841
Accounts receivable	8,114	400	8,514
Property taxes receivable	352,473	-	352,473
Inventories	-	784	784
Intergovernmental receivables	9,666	-	9,666
Prepays	<u>42,549</u>	<u>55,570</u>	<u>98,119</u>
Total current assets	<u>2,465,571</u>	<u>149,449</u>	<u>2,615,020</u>
Noncurrent assets			
Net OPEB asset	<u>17,939</u>	<u>30</u>	<u>17,969</u>
Restricted assets			
Cash and cash equivalents	248,877	-	248,877
Accounts receivable	<u>607,337</u>	<u>-</u>	<u>607,337</u>
Total restricted assets	<u>856,214</u>	<u>-</u>	<u>856,214</u>
Capital assets			
Land and construction in progress	163,730	-	163,730
Other capital assets, net of accumulated depreciation	<u>2,138,424</u>	<u>17,912</u>	<u>2,156,336</u>
Total capital assets	<u>2,302,154</u>	<u>17,912</u>	<u>2,320,066</u>
Total assets	<u>5,641,878</u>	<u>167,391</u>	<u>5,809,269</u>
Deferred outflows of resources			
Net deferred outflow of pension related resources	3,424,172	5,674	3,429,846
Net deferred outflow of OPEB related resources	<u>21,401</u>	<u>35</u>	<u>21,436</u>
Total deferred outflows of resources	<u>3,445,573</u>	<u>5,709</u>	<u>3,451,282</u>
Total assets and deferred outflows of resources	<u>9,087,451</u>	<u>173,100</u>	<u>9,260,551</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

STATEMENT OF NET POSITION

June 30, 2018

(Continued)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accrued payroll liabilities	\$ 534,411	\$ 3,914	\$ 538,325
Compensated absences	41,591	481	42,072
Capital lease payable, current portion	10,025	-	10,025
Total current liabilities	586,027	4,395	590,422
Noncurrent liabilities			
Severance contract payable	8,401	-	8,401
Capital lease payable, less current portion	75,678	-	75,678
Net pension liability	8,752,138	14,503	8,766,641
Total noncurrent liabilities	8,836,217	14,503	8,850,720
Total liabilities	9,422,244	18,898	9,441,142
Deferred inflows of resources			
Net deferred inflow of pension related resources	1,209,127	2,004	1,211,131
Net deferred inflow of OPEB related resources	8,971	15	8,986
Total deferred inflows of resources	1,218,098	2,019	1,220,117
Total liabilities and deferred inflows of resources	10,640,342	20,917	10,661,259
NET POSITION			
Net investment in capital assets	2,216,451	17,912	2,234,363
Restricted for special programs	856,214	-	856,214
Unrestricted	(4,625,556)	134,271	(4,491,285)
Total net position	\$ (1,552,891)	\$ 152,183	\$ (1,400,708)

The accompanying notes are an integral part of these financial statements.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities				
Special programs	\$ 5,066,015	\$ 3,045,333	\$ 734,274	\$ -
Student support services	3,691,191	1,778,342	500	-
Instructional staff support	631,621	-	-	-
General administrative support	334,286	-	-	-
School administration	50,916	-	-	-
Business support services	1,021,729	-	-	-
Central activities support	648,014	185,052	-	-
Apportionment of funds by ESD	763,248	-	-	-
Unallocated depreciation expense	<u>140,620</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 12,347,640</u>	<u>\$ 5,008,727</u>	<u>\$ 734,774</u>	<u>\$ -</u>
Business-type activities				
Special programs	\$ -	\$ 5,467	\$ -	\$ -
Central activities support	79,054	237,401	-	-
Unallocated depreciation expense	<u>808</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 79,862</u>	<u>\$ 242,868</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues

Property taxes levied for general purposes
Unrestricted state and local revenue
Insurance proceeds
Investment earnings
Miscellaneous

Total general revenues

Transfers

Change in net position

Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (1,286,408)	\$ -	\$ (1,286,408)
(1,912,349)	-	(1,912,349)
(631,621)	-	(631,621)
(334,286)	-	(334,286)
(50,916)	-	(50,916)
(1,021,729)	-	(1,021,729)
(462,962)	-	(462,962)
(763,248)	-	(763,248)
<u>(140,620)</u>	<u>-</u>	<u>(140,620)</u>
<u>(6,604,139)</u>	<u>-</u>	<u>(6,604,139)</u>
-	5,467	5,467
-	158,347	158,347
<u>-</u>	<u>(808)</u>	<u>(808)</u>
<u>-</u>	<u>163,006</u>	<u>163,006</u>
3,682,962	-	3,682,962
2,208,839	-	2,208,839
244,170	-	244,170
41,281	-	41,281
<u>72,524</u>	<u>1,669</u>	<u>74,193</u>
<u>6,249,776</u>	<u>1,669</u>	<u>6,251,445</u>
<u>(272,961)</u>	<u>-</u>	<u>(272,961)</u>
(627,324)	164,675	(462,649)
<u>(925,567)</u>	<u>(12,492)</u>	<u>(938,059)</u>
<u>\$ (1,552,891)</u>	<u>\$ 152,183</u>	<u>\$ (1,400,708)</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Special Revenue Fund	Nonmajor Governmental Fund Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,930,821	\$ 248,877	\$ 35,001	\$ 2,214,699
Undistributed taxes with county	36,841	-	-	36,841
Accounts receivable	7,652	607,337	-	614,989
Property taxes receivable	352,473	-	-	352,473
Intergovernmental receivables	9,666	-	-	9,666
Prepays	<u>36,100</u>	<u>6,449</u>	<u>-</u>	<u>42,549</u>
 Total assets	 <u>\$ 2,373,553</u>	 <u>\$ 862,663</u>	 <u>\$ 35,001</u>	 <u>\$ 3,271,217</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accrued payroll liabilities	<u>\$ 534,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,411</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	<u>330,453</u>	<u>-</u>	<u>-</u>	<u>330,453</u>
Fund balances				
Nonspendable - prepaids	36,100	6,449	-	42,549
Restricted for special programs	-	856,214	-	856,214
Committed to capital projects	-	-	35,001	35,001
Unassigned	<u>1,472,589</u>	<u>-</u>	<u>-</u>	<u>1,472,589</u>
 Total fund balances	 <u>1,508,689</u>	 <u>862,663</u>	 <u>35,001</u>	 <u>2,406,353</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 2,373,553</u>	 <u>\$ 862,663</u>	 <u>\$ 35,001</u>	 <u>\$ 3,271,217</u>

The accompanying notes are an integral part of these financial statements.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

June 30, 2018

Total fund balances		\$ 2,406,353
<p>Capital assets are not financial resources and are therefore not reported in the governmental funds.</p>		
Cost	4,220,688	
Accumulated depreciation and amortization	<u>(1,918,534)</u>	2,302,154
<p>Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 30 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.</p>		
		330,453
<p>Internal service funds are used by management to charge the costs of copying and printing services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.</p>		
		50,568
<p>Liabilities in the statement of net position not payable in the current year are not reported as governmental fund liabilities. These liabilities are not accrued in the governmental funds, but rather are recognized as expenditures when due. These liabilities consist of:</p>		
Compensated absences	(41,591)	
Severance contract payable	(8,401)	
Capital lease payable	<u>(85,703)</u>	(135,695)
<p>Pension assets or liabilities, with related deferred outflows of resources and deferred inflows of resources, are not reported in the governmental funds, but are reported on the statement of net position. The amounts included in governmental activities on the statement of net position:</p>		
Net pension liability	(8,752,138)	
Deferred outflows of pension related resources	3,424,172	
Deferred inflows of pension related resources	<u>(1,209,127)</u>	(6,537,093)
<p>OPEB assets or liabilities, with related deferred outflows of resources and deferred inflows of resources, are not reported in the governmental funds, but are reported on the statement of net position. The amounts included in governmental activities on the statement of net position:</p>		
Net OPEB asset	17,939	
Deferred outflows of OPEB related resources	21,401	
Deferred inflows of OPEB related resources	<u>(8,971)</u>	<u>30,369</u>
Net position of governmental activities		<u>\$ (1,552,891)</u>

The accompanying notes are an integral part of these financial statements.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Fund Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 3,678,141	\$ 9,653	\$ -	\$ 3,687,794
Intergovernmental	2,350,197	827,933	-	3,178,130
Charges for services	2,700,441	2,294,465	-	4,994,906
Miscellaneous	<u>78,969</u>	<u>34,836</u>	-	<u>113,805</u>
Total revenues	<u>8,807,748</u>	<u>3,166,887</u>	<u>-</u>	<u>11,974,635</u>
EXPENDITURES				
Current				
Instruction	2,324,852	2,463,695	-	4,788,547
Support services	<u>5,155,298</u>	<u>930,505</u>	<u>-</u>	<u>6,085,803</u>
Total expenditures	<u>7,480,150</u>	<u>3,394,200</u>	<u>-</u>	<u>10,874,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,327,598</u>	<u>(227,313)</u>	<u>-</u>	<u>1,100,285</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,107,621	50,000	-	5,157,621
Transfers out	(5,430,582)	-	-	(5,430,582)
Long-term debt proceeds	-	5,000	35,001	40,001
Apportionment of funds by ESD	<u>(763,248)</u>	<u>-</u>	<u>-</u>	<u>(763,248)</u>
Total other financing sources (uses)	<u>(1,086,209)</u>	<u>55,000</u>	<u>35,001</u>	<u>(996,208)</u>
Net change in fund balances	241,389	(172,313)	35,001	104,077
Fund balances - beginning	<u>1,267,300</u>	<u>1,034,976</u>	<u>-</u>	<u>2,302,276</u>
Fund balances - ending	<u>\$ 1,508,689</u>	<u>\$ 862,663</u>	<u>\$ 35,001</u>	<u>\$ 2,406,353</u>

The accompanying notes are an integral part of these financial statements.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Net change in fund balances		\$ 104,077
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense.		
Purchase of capital assets	167,933	
Less current year depreciation	<u>(140,620)</u>	27,313
Long-term debt proceeds are reported as other financing sources in the 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.		
Debt principal paid	10,213	
Debt proceeds	<u>(90,833)</u>	(80,620)
Internal service funds are used by management to charge the costs of unemployment insurance premiums to individual funds. This activity is consolidated with the governmental funds in the statement of activities.		
		(14,701)
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.		
		4,821
Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.		
Compensated absences		21,047
Changes in the net pension assets and liabilities, as well as the related changes in deferred outflows and deferred inflows of resources, are not recognized as expenditures in the governmental funds.		
		(689,111)
Changes in the net OPEB assets and liabilities, as well as the related changes in deferred outflows and deferred inflows of resources, are not recognized as expenditures in the governmental funds.		
		<u>(150)</u>
Change in net position		\$ <u>(627,324)</u>

The accompanying notes are an integral part of these financial statements.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2018

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash and cash equivalents	\$ 92,695	\$ 50,106	\$ 142,801
Accounts receivable	400	462	862
Inventories	784	-	784
Prepays	55,570	-	55,570
Total current assets	149,449	50,568	200,017
Noncurrent assets			
Net OPEB asset	30	-	30
Capital assets, net of accumulated depreciation	17,912	-	17,912
Total noncurrent assets	17,942	-	17,942
Total assets	167,391	50,568	217,959
Deferred outflows of resources			
Net deferred outflow of pension related resources	5,674	-	5,674
Net deferred outflow of OPEB related resources	35	-	35
Total deferred outflows of resources	5,709	-	5,709
Total assets and deferred outflows of resources	173,100	50,568	223,668

(Continued)

The accompanying notes are an integral part of these financial statements.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2018

(Continued)

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund	Total
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accrued payroll liabilities	\$ 3,914	\$ -	\$ 3,914
Compensated absences	481	-	481
Total current liabilities	4,395	-	4,395
Noncurrent liabilities			
Net pension liability	14,503	-	14,503
Total liabilities	18,898	-	18,898
Deferred inflows of resources			
Net deferred inflow of pension related resources	2,004	-	2,004
Net deferred inflow of OPEB related resources	15	-	15
Total deferred inflows of resources	2,019	-	2,019
Total liabilities and deferred inflows of resources	20,917	-	20,917
NET POSITION			
Net investment in capital assets	17,912	-	17,912
Unrestricted	134,271	50,568	184,839
Total net position	\$ 152,183	\$ 50,568	\$ 202,751

The accompanying notes are an integral part of these financial statements.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund	Total
Operating revenues			
Charges for services	\$ 242,868	\$ 13,821	\$ 256,689
Operating expenses			
Support services	79,054	28,522	107,576
Facilities acquisition and construction	808	-	808
Total operating expenses	79,862	28,522	108,384
Operating income (loss)	163,006	(14,701)	148,305
Nonoperating revenues (expenses)			
Other income	1,669	-	1,669
Change in net position	164,675	(14,701)	149,974
Net position - beginning, as restated	(12,492)	65,269	52,777
Net position - ending	\$ 152,183	\$ 50,568	\$ 202,751

The accompanying notes are an integral part of these financial statements.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Business-Type Activities	Governmental Activities	
	Enterprise Fund	Internal Service Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 287,965	\$ 13,359	\$ 301,324
Cash payments to employees	(35,535)	-	(35,535)
Cash payments to suppliers	<u>(221,257)</u>	<u>(28,522)</u>	<u>(249,779)</u>
Net cash provided (used) by operating activities	<u>31,173</u>	<u>(15,163)</u>	<u>16,010</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	<u>(13,056)</u>	-	<u>(13,056)</u>
Net cash provided (used) by operating activities	<u>(13,056)</u>	-	<u>(13,056)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other income	<u>1,669</u>	-	<u>1,669</u>
Net cash provided (used) by noncapital financing activities	<u>1,669</u>	-	<u>1,669</u>
Net increase (decrease) in cash and cash equivalents	19,786	(15,163)	4,623
Cash and cash equivalents - beginning	<u>72,909</u>	<u>65,269</u>	<u>138,178</u>
Cash and cash equivalents - ending	<u>\$ 92,695</u>	<u>\$ 50,106</u>	<u>\$ 142,801</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 163,006	\$ (14,701)	\$ 148,305
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	808	-	808
Change in accounting principle	50	-	50
(Increase) decrease in:			
Receivables	45,097	(462)	44,635
Prepays	(54,744)	-	(54,744)
Net pension asset/liability	(214,559)	-	(214,559)
Net OPEB asset/liability	(30)	-	(30)
Deferred outflows of resources	117,531	-	117,531
Increase (decrease) in:			
Compensated absences	(8,211)	-	(8,211)
Deferred inflows of resources	<u>(17,775)</u>	-	<u>(17,775)</u>
Net cash provided (used) by operating activities	<u>\$ 31,173</u>	<u>\$ (15,163)</u>	<u>\$ 16,010</u>

The accompanying notes are an integral part of these financial statements.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

STATEMENT OF FIDUCIARY NET POSITION

For the Year Ended June 30, 2018

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>512,418</u>
LIABILITIES	
Interfund payable	\$ 272,956
Due to others	<u>239,462</u>
Total liabilities	<u>\$ 512,418</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of South Coast Education Service District have been prepared in accordance with generally accepted accounting principles (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 principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

South Coast Education Service District is a municipal corporation organized under the provisions of Oregon Revised Statutes Chapter 334.010 to perform the function of financial equalization among Coos and Curry County school districts to assist the state in providing equal education opportunities to all students. The District also provides professional services and facilities in education on a cooperative basis with local school districts. The District is governed by an eight-member board of directors.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting; however, principal and interest on long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund. The primary sources of revenue are property taxes and state revenues.

Special Revenue Fund – The Special Revenue Fund accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). For the District, these are primarily grants and other programs funded through contracts with other local governments.

The District reports the following nonmajor governmental fund:

Capital Projects Fund – The Capital Projects Fund accounts for expenditures for major construction projects.

The following fund does not meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* as amended, for presentation as a major fund; however, management considers the fund to be particularly important to financial statement users and has therefore elected to present the following fund as a major proprietary fund:

Enterprise Fund – The Enterprise Fund is used to account for activities for which a fee is charged to external users for goods or services. The Enterprise Fund includes services for financial accounting software, technology, transportation, and internet service. The primary source of revenue is charges for services provided to local educational agencies.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the District reports the following proprietary fund:

Internal Service Fund – The Internal Service Fund is used to account for operations that provide copying and printing services to other departments or agencies of the District on a cost-reimbursement basis. The primary source of revenue is charges for services provided to other funds of the District.

The District reports the following fiduciary fund:

Agency Fund – The Agency Fund is used to account for component school districts' service credit allocations and usage.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers between the governmental funds, proprietary funds, and fiduciary funds. Elimination of these transactions would distort their respective financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

1. Deposits and Investments (Continued)

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 30 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as unavailable revenue because they are not deemed available to finance operations of the current period.

3. Accounts Receivable

Receivables, including accounts, entitlements, insurance proceeds, and shared revenues, are recorded as revenue when earned. No allowance for uncollectible accounts has been established as management deems all receivables collectible.

4. Inventories and Prepaid Items

Physical inventories, with the exception of the Enterprise Fund, are taken for control purposes only. The cost values of such inventories have been recorded as expenditures when purchased. Accordingly, with the exception of the Enterprise Fund, a value is not included on the statement of net position.

Inventories in the Enterprise Fund are valued at average cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of proprietary fund-type inventories are recorded as expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

5. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5
Vehicles	5-7
Buildings	25-40

6. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities on the statement of net position. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position.

8. Retirement Plan

Most of the District's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenses or expenditures.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

9. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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 or fund balance that applies to a future period and so will not be recognized as an outflow of resources until then. The District has two items that qualify for reporting in this category, which are deferred amounts related to pensions and deferred amounts related to other postemployment benefits. These amounts are deferred and recognized as outflows of resources when the District recognizes pension or other postemployment benefit expenses/expenditures. Deferred outflows of amounts related to pensions and other postemployment benefits are included in the government-wide statement of net position and the proprietary funds statement of net position.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and therefore, will not be recognized as an inflow of resources until that time. The District has three items that qualify for reporting in this category, which are unavailable revenue from property taxes, deferred amounts related to pensions, and deferred amounts related to other postemployment benefits. Unavailable revenue from property taxes is deferred and recognized as inflows of resources in the period that the amounts become available. Unavailable revenue from property taxes is reported in the balance sheet. Deferred amounts related to pensions and other postemployment benefits are deferred and recognized as inflows of resources in the period when the District recognizes pension or other postemployment benefit income. Deferred inflows of amounts related to pensions and other postemployment benefits are included in the government-wide statement of net position and the proprietary funds statement of net position.

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

For purposes of measuring the net other postemployment benefits (OPEB) retirement health insurance account (RHIA) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense information about the net position of OPERS, and additions to/deductions from OPERS' net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

10. Fund Equity

In the fund financial statements, the governmental funds report classifications of fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District has not formally adopted a policy for commitment or assignment of fund balance.

The District has adopted a minimum fund balance policy. The board directs the Business Manager/Superintendent to manage the General Fund's adopted budget in such a way as to plan for an ending fund balance of at least 5% of total adopted revenues.

E. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, enterprise, and internal service funds. All funds are budgeted on the modified accrual basis of accounting.

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, enterprise and community services, debt service, facilities acquisition and construction, interfund transfers, apportionment of funds, and operating contingency are the levels of control for the funds established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors at a regular board meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts.

B. Excess of Expenditures over Appropriations

The District expended funds in excess of the amount appropriated, which is in violation of ORS 294.100. The following appropriation was over-expended for the fiscal year ended June 30, 2018:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Internal Service	Support services	\$ 21,376	\$ 28,522	\$ 7,146

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

South Coast Education Service District maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP 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. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares.

A separate financial report for the LGIP is prepared by the Oregon State Treasurer. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 900 Court Street, Room 159, Salem, Oregon 97301.

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District has not adopted an investment policy regarding credit risk; however, investments comply with state statutes.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Investments

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

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 1,090,772

Interest Rate Risk

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The District does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100% of the District's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

The District holds accounts at Umpqua Bank, for which the FDIC provides insurance coverage of \$250,000 for demand deposit accounts and an additional \$250,000 for time and savings accounts. At June 30, 2018, the District had deposits of \$250,000 insured by the FDIC and \$2,528,990 covered by the PFCP.

Deposits

The District's deposits and investments at June 30, 2018 are as follows:

Cash on hand	\$ 3,000
Checking accounts	1,263,728
Total investments	<u>1,090,772</u>
 Total deposits and investments	 <u>\$ 2,357,500</u>

Deposits and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 1,930,821
Nonmajor governmental fund - Capital Projects Fund	35,001
Internal Service Fund	<u>50,106</u>
 Total governmental activities - unrestricted	 2,015,928
Business-type activities - unrestricted	
Enterprise Fund	<u>92,695</u>
 Total unrestricted cash and investments	 2,108,623
Governmental activities - restricted	
Special Revenue Fund	<u>248,877</u>
 Total cash and investments	 <u>\$ 2,357,500</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 70,150	\$ -	\$ -	\$ 70,150
Construction in progress	<u>-</u>	<u>93,580</u>	<u>-</u>	<u>93,580</u>
Total capital assets not being depreciated	<u>70,150</u>	<u>93,580</u>	<u>-</u>	<u>163,730</u>
Capital assets being depreciated				
Buildings and improvements	2,919,217	-	-	2,919,217
Equipment	1,003,270	74,353	-	1,077,623
Vehicles	<u>60,118</u>	<u>-</u>	<u>-</u>	<u>60,118</u>
Total capital assets being depreciated	<u>3,982,605</u>	<u>74,353</u>	<u>-</u>	<u>4,056,958</u>
Less accumulated depreciation for				
Buildings and improvements	(849,003)	(72,981)	-	(921,984)
Equipment	(905,675)	(57,252)	-	(962,927)
Vehicles	<u>(23,236)</u>	<u>(10,387)</u>	<u>-</u>	<u>(33,623)</u>
Total accumulated depreciation	<u>(1,777,914)</u>	<u>(140,620)</u>	<u>-</u>	<u>(1,918,534)</u>
Total capital assets being depreciated, net	<u>2,204,691</u>	<u>(66,267)</u>	<u>-</u>	<u>2,138,424</u>
Governmental activities capital assets, net	<u>\$ 2,274,841</u>	<u>\$ 27,313</u>	<u>\$ -</u>	<u>\$ 2,302,154</u>
Business-type activities				
Capital assets being depreciated				
Equipment	\$ 91,882	\$ 13,056	\$ -	\$ 104,938
Less accumulated depreciation for				
Equipment	<u>(86,218)</u>	<u>(808)</u>	<u>-</u>	<u>(87,026)</u>
Business-type activities capital assets, net	<u>\$ 5,664</u>	<u>\$ 12,248</u>	<u>\$ -</u>	<u>\$ 17,912</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets (Continued)

Capital assets are reported on the statement of net position as follows:

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Governmental activities			
Land	\$ 70,150	\$ -	\$ 70,150
Construction in progress	93,580	-	93,580
Buildings and improvements	2,919,217	(921,984)	1,997,233
Equipment	1,077,623	(962,927)	114,696
Vehicles	<u>60,118</u>	<u>(33,623)</u>	<u>26,495</u>
Total governmental activities capital assets	4,220,688	(1,918,534)	2,302,154
Business-type activities			
Equipment	<u>104,938</u>	<u>(87,026)</u>	<u>17,912</u>
Total capital assets	<u>\$ 4,325,626</u>	<u>\$ (2,005,560)</u>	<u>\$ 2,320,066</u>

Depreciation was not charged to specific functions or programs of the District. Capital assets of the District are for the use of the entire District and are therefore unallocated. Depreciation expense is recorded on the statement of activities as follows:

Governmental activities	
Unallocated depreciation	<u>\$ 140,620</u>
Business-type activities	
Unallocated depreciation	<u>\$ 808</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Interfund Transfers

Interfund transfers during the year consisted of:

	Transfers in:			
	<u>Governmental Activities</u>		Fiduciary	Total
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Fund Agency</u>	
Transfers out:				
Governmental activities				
General Fund	\$ -	\$ 50,000	\$ 5,380,582	\$ 5,430,582
Agency Fund	<u>5,107,621</u>	<u>-</u>	<u>-</u>	<u>5,107,621</u>
Total	<u>\$ 5,107,621</u>	<u>\$ 50,000</u>	<u>\$ 5,380,582</u>	<u>\$ 10,538,203</u>

The primary purposes of the interfund transfers in are summarized below by fund:

General Fund – To receive service credit funds from school districts’ agency funds to pay for services provided to school districts.

Special Revenue Fund – To transfer resources to support special programs.

Agency Fund – To receive 90% of the state school fund dollars from the District into each school district’s individual agency fund.

D. Compensated Absences

The following is a summary of compensated absences transactions for the year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
Compensated absences	<u>\$ 62,638</u>	<u>\$ -</u>	<u>\$ 21,047</u>	<u>\$ 41,591</u>
Business-type activities				
Compensated absences	<u>\$ 8,692</u>	<u>\$ -</u>	<u>\$ 8,211</u>	<u>\$ 481</u>

For governmental activities, the General Fund has traditionally been used to liquidate compensated absences liabilities. For business-type activities, the Enterprise Fund has traditionally been used to liquidate compensated absences liabilities.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rates	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
Copier lease 1	3.15%	\$ 59,491	\$ 2,136	\$ -	\$ 2,136	\$ -	\$ -
Copier lease 2	0.00%	4,496	2,947	-	1,548	1,399	899
Copier lease 3	0.00%	50,832	-	50,832	6,529	44,303	9,126
Umpqua bank loan	3.09%	40,001	-	40,001	-	40,001	-
Total governmental activities		<u>\$ 154,820</u>	<u>\$ 5,083</u>	<u>\$ 90,833</u>	<u>\$ 10,213</u>	<u>\$ 85,703</u>	<u>\$ 10,025</u>

2. Capital Leases

a. Copier Lease

The District entered into an agreement to lease copiers on August 14, 2012. This lease agreement qualifies as a capital lease for accounting purposes and has therefore been recorded at the present value of minimum lease payments as of the inception date. Interest is fixed at 3.15%. Principal and interest payments of \$1,073 are due on the 14th day of each month. The lease is collateralized by the copiers. As of June 30, 2018, this lease had been paid in full.

b. Copier Lease

The District entered into an agreement to lease a copier on September 22, 2015. This lease agreement qualifies as a capital lease for accounting purposes and has therefore been recorded at the present value of minimum lease payments as of the inception date. Interest is fixed at 0%. Payments of \$74.93 are due monthly. The lease is collateralized by the copier.

c. Copier Lease

The District entered into an agreement to lease copiers on September 7, 2017. This lease agreement qualifies as a capital lease for accounting purposes and has therefore been recorded at the present value of minimum lease payments as of the inception date. Interest is fixed at 0%. Payments of \$1,003.04 are due monthly. The lease is collateralized by the copier.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Long-Term Liabilities (Continued)

2. Capital Leases (Continued)

d. Leased Capital Assets

Leased capital assets and related accumulated amortization under the capital leases are as follows:

Governmental activities		
Equipment	\$	55,334
Less: accumulated amortization		<u>(10,945)</u>
Net value	\$	<u>44,389</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

3. Umpqua Bank Loan

On June 15, 2018, the District entered into a loan agreement with Umpqua Bank to finance plumbing and roof replacement projects. As of June 30, 2018, the outstanding balance of the loan was \$40,001. The District may make additional draws on the loan through June 14, 2019. Interest is fixed at 3.09%. A payment for outstanding interest is due on June 14, 2019. Semiannual payments for principal and interest will be calculated by the bank and are due beginning December 15, 2019. The maturity date of the loan is June 15, 2034.

4. Future Maturities of Long-Term Liabilities

Year Ending June 30	Leases		
	Principal	Interest	Total
2019	\$ 10,205	\$ 2,730	\$ 12,935
2020	10,460	2,077	12,537
2021	10,660	1,377	12,037
2022	11,409	628	12,037
2023	<u>2,968</u>	<u>34</u>	<u>3,002</u>
Total	<u>\$ 45,702</u>	<u>\$ 6,846</u>	<u>\$ 52,548</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN

A. Plan Description

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer, defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement System Board to administer and manage the system. All benefits of the system are established by the legislature, pursuant to Oregon Revised Statutes (ORS) Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available comprehensive annual financial report and actuarial valuation, both of which can be obtained at: <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

B. Benefits Provided

1. Tier One/Tier Two Retirement Benefit (ORS Chapter 238)

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 (1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. 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 is closed to new members hired on or after August 29, 2003.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

B. Benefits Provided (Continued)

1. Tier One/Tier Two Retirement Benefit (ORS Chapter 238) (Continued)

Death Benefits

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

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member 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 238.630, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). The COLA is capped at 2.0%.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

B. Benefits Provided (Continued)

2. OPSRP Pension Program (Defined Benefit)

Pension Benefits

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

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

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

Death Benefits

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

Disability Benefits

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

3. OPSRP Individual Account Program (IAP)

Pension Benefits

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

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

B. Benefits Provided (Continued)

3. OPSRP Individual Account Program (IAP)

Pension Benefits (Continued)

Upon retirement, a member of the OPSRP 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-, or 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

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

Recordkeeping

OPERS contracts with Voya Financial to maintain IAP participant records.

C. Contributions

PERS' funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. Employer contributions for the year ended June 30, 2018 were \$1,018,844, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2018 were 27.20% for Tier One/Tier Two general service members, 21.87% for OPSRP Pension Program general service members, and 6% for OPSRP IAP.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

D. Pension Assets, Liabilities, 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 \$8,766,641 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 rolled forward to June 30, 2017. The District's proportion of the net pension asset/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 entities, actuarially determined. At June 30, 2017, the District's proportion was 0.0650%, which decreased from its proportion of 0.0726% measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense (income) of \$574,328. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 423,959	\$ -
Changes of assumptions	1,598,002	-
Net difference between projected and actual earnings on investments	90,317	-
Changes in proportion	-	1,172,959
Differences between employer contributions and proportionate share of contributions	<u>298,724</u>	<u>38,172</u>
Total (prior to post measurement date contributions)	2,411,002	1,211,131
Contributions subsequent to the measurement date	<u>1,018,844</u>	<u>-</u>
Total	<u>\$ 3,429,846</u>	<u>\$ 1,211,131</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

D. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Amortization Period Ending June 30	Deferred Outflows	Deferred Inflows
2019	\$ 494,675	\$ 358,372
2020	1,205,799	352,836
2021	840,678	300,199
2022	(155,138)	164,163
2023	24,988	35,561
	\$ 2,411,002	\$ 1,211,131

E. Actuarial Assumptions

The employer contribution rates effective July 1, 2015 through June 30, 2017, and effective July 1, 2017 through June 30, 2019, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

E. Actuarial Assumptions (Continued)

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 23, 2015
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Long-Term Expected Rate of Return	7.50%
Discount Rate	7.50%
Projected Salary Increases	3.50%
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25% / 0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

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

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

F. Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015, the Public Employees Retirement System Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors.

The table below displays the OIC approved asset allocation policy for fiscal years beginning in 2014. The previous allocation was amended to reduce debt securities and public equity holdings and to increase private equity, real estate, and alternative equity holdings.

<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	<u>0.00 %</u>
Total	<u>100.00 %</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

F. Long-Term Expected Rate of Return (Continued)

The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target allocation. The OIC's description of each asset class was used to map the target asset allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment of the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Core Fixed Income	8.00 %	4.00 %
Short-Term Bonds	8.00 %	3.61 %
Bank/Leveraged Loans	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	4.10 %	7.25 %
Non-US Small Cap Equities	1.88 %	7.22 %
Private Equity	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	<u>1.88 %</u>	4.58 %
 Total	 <u>100.00 %</u>	
 Assumed Inflation - Mean		 2.50 %

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

G. Depletion Date Projection

GASB Statement No. 68 generally requires that a blended discount rate be used to measure the total pension liability (the actuarial accrued liability calculated using the individual entry age normal cost method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's net position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB Statement No. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB Statement No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. The Governmental Accounting Standards Board does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation for sufficiency for OPERS:

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

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB Statement No. 68 would clearly indicate that the net position is always projected to be sufficient to cover benefit payments and administrative expenses.

H. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's 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.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. PENSION PLAN (Continued)

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability (asset)	\$ 14,939,958	\$ 8,766,641	\$ 3,604,606

J. Pension Plan Net Position

Detailed information about the pension plan's net position is available in the separately issued OPERS financial report.

K. Changes in Plan Provisions Subsequent to Measurement Date

The Public Employees Retirement System board lowered the assumed rate of return from 7.50% to 7.20% on July 28, 2017, effective January 1, 2018.

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Benefit Plan

The other postemployment benefits (OPEB) for the District provide a contribution to the State of Oregon's PERS cost-sharing, multiple-employer, defined health insurance benefit plan.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

B. Financial Statement Presentation

The amounts on the financial statements relate to the plans as follows:

	PERS RHIA Plan
Net OPEB asset	\$ 17,969
Deferred outflows of resources	
Contributions after measurement date	21,436
Total OPEB liability	-
Deferred inflows of resources	
Change in proportionate share	(664)
Change in assumptions	-
Difference in earnings	(8,322)
OPEB expense	(150)
(Included in program expenses on statement of activities)	

C. PERS Retirement Health Insurance Account (RHIA)

1. 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. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained at:

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

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

C. PERS Retirement Health Insurance Account (RHIA) (Continued)

2. Benefits Provided

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. 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 employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

3. Contributions

PERS' funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The District's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The District's total contributions for the year ended June 30, 2018 amounted to \$24,268.

4. OPEB Assets, Liabilities, and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported an asset of \$17,969 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The District's proportion of the net OPEB asset was based on the District's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2017, the District's proportionate share was 0.0431%, which is a decrease from its proportion of 0.0464% as of June 30, 2016.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

C. PERS Retirement Health Insurance Account (RHIA) (Continued)

4. OPEB Assets, Liabilities, and Expense, and Deferred Outflows and Inflows of Resources (Continued)

For the year ended June 30, 2018, the District recognized OPEB expense from this plan of \$150. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings	\$ -	\$ 8,322
Changes of proportionate share	-	664
Contributions subsequent to the measurement date	21,436	-
Total	\$ 21,436	\$ 8,986

Deferred outflows of resources related to OPEB of \$21,436 resulting from the District's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization Period Ending June 30	Deferred Outflows	Deferred Inflows
2019	\$ -	\$ 2,327
2020	-	2,327
2021	-	2,253
2022	-	2,079
	\$ -	\$ 8,986

5. Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2015 actuarial valuation was determined using the following actuarial methods and assumptions:

Healthcare cost trend rate	Ranging from 6.3% in 2016 to 4.4% in 2094
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SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

C. PERS Retirement Health Insurance Account (RHIA) (Continued)

5. Actuarial Methods and Assumptions (Continued)

All other actuarial methods and assumptions are consistent with those disclosed for the OPERS pension plan. See Notes IV-E, IV-F, and IV-H for additional information on actuarial assumptions and methods, the long-term expected rate of return, and the discount rate.

6. Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability (asset)	\$ 2,505	\$ (17,969)	\$ (35,384)

7. OPEB Plan Fiduciary Net Position

Detailed information about the other postemployment benefit plan's fiduciary net position is available in the separately issued OPERS financial report.

8. Changes in Plan Provisions Subsequent to Measurement Date

The Public Employees Retirement System Board lowered the assumed rate of return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018 and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

VI. OTHER INFORMATION

A. 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. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

VI. OTHER INFORMATION (Continued)

B. Restatement

In implementing GASB Statement No. 75, the District has restated beginning net position in order to recognize the correct total OPEB liability for the District's RHIA plan. The restatement also recognizes a deferred outflow of resources related to OPEB for contributions from the plan made after the June 30, 2016 measurement date.

	Governmental Activities	Business-Type Activities
Net position - beginning, as originally reported	\$ (956,086)	\$ (12,542)
Cumulative effect of change in accounting principle	30,519	50
Net position - beginning, as restated	\$ (925,567)	\$ (12,492)

C. Concentrations

1. Collective Bargaining Agreements

At June 30, 2018, the District had a total of approximately 106 employees. Of this total, approximately 93% are covered under collective bargaining agreements and 46.5% are licensed staff represented by a union. The current agreement was signed on February 15, 2018 and will expire on June 30, 2019. Approximately 53.5% of employees are classified staff. All are covered by collective bargaining agreements. The current full-time collective bargaining agreement was still in negotiations at the time this report was prepared. The part-time collective bargaining agreement was signed on June 27, 2017 and will expire on June 30, 2019.

D. Commitments

The District entered into a contract for \$329,860 with Rich Rayburn Roofing to replace the roof at the District. As of June 30, 2018, \$93,580 had been spent.

E. Tax Abatements

During the year, the District adopted GASB Statement No. 77, *Tax Abatement Disclosures*. The District had tax abatements through the Enterprise Zone Exemption (EZE) pursuant to ORS 285C.175. The EZE exempts property of authorized business firms from ad valorem property taxes. Total abated property taxes under this program amounted to \$28,927.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

VI. OTHER INFORMATION (Continued)

F. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that have future effective dates that will impact future financial presentations. Management has not currently determined what impact implementation of the following statements will have on future financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the District beginning with its fiscal year ending June 30, 2019. This statement addresses accounting and financial reporting for certain asset retirement obligations.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, will be effective for the District beginning with its fiscal year ending June 30, 2019. The objective of this statement is to improve the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the District beginning with its fiscal year ending June 30, 2020. This statement improves guidance regarding the identification of fiduciary activities.

GASB Statement No. 87, *Leases*, will be effective for the District beginning with its fiscal year ending June 30, 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting of leases by governments.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, will be effective for the District beginning with its fiscal year ending June 30, 2021. The objective of this statement is to simplify accounting for interest cost incurred before the end of a construction period, and enhance the relevance and comparability of capital asset information.

G. Subsequent Events

Management has evaluated subsequent events through December 18, 2018, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30	(a) District's proportion of the net pension liability (asset)	(b) District's proportionate share of the net pension liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.06503425%	\$ 8,766,641	\$ 4,340,312	201.98%	81.30%
2017	0.07255952%	10,892,869	4,388,455	248.22%	80.50%
2016	0.08470879%	4,863,522	4,133,781	117.65%	91.90%
2015	0.10193556%	(2,310,588)	4,399,996	-52.51%	103.60%
2014	0.10193556%	5,201,921	4,520,335	115.08%	91.97%

Changes in Benefit Terms

The Oregon Supreme Court decision in *Moro v. State of Oregon* issued on April 30, 2015 reversed a significant portion of the reductions that the 2013 Oregon Legislature made to future COLA through Senate Bills 822 and 861. This reversal increased the proportionate share of the net pension liability (asset) as of June 30, 2015 as compared to June 30, 2014.

Changes of Assumptions

The Public Employees Retirement System Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50% and the lowering of the assumed inflation to 2.50%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

*This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2018	\$ 1,018,844	\$ 1,018,844	-	\$ 4,309,723	23.64%
2017	860,524	860,524	-	4,340,312	19.83%
2016	899,661	899,661	-	4,388,455	20.50%
2015	899,735	899,735	-	4,133,781	21.77%
2014	863,606	863,606	-	4,399,996	19.63%

Changes in Benefit Terms

The Oregon Supreme Court decision in *Moro v. State of Oregon* issued on April 30, 2015 reversed a significant portion of the reductions that the 2013 Oregon Legislature made to future COLA through Senate Bills 822 and 861. This reversal increased the proportionate share of the net pension liability (asset) as of June 30, 2015 as compared to June 30, 2014.

Changes of Assumptions

The Public Employees Retirement System Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50% and the lowering of the assumed inflation to 2.50%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

*This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

<u>RHIA</u>	<u>2018</u>	<u>2017</u>
Proportion of the OPEB pension liability (asset)	0.04305673%	0.04640860%
Proportionate share of the net OPEB liability (asset)	(17,969)	12,603
Covered payroll	4,340,312	4,388,455
Proportionate share of the OPEB liability (asset) as a percentage of covered employee payroll	-0.41%	0.29%
Plan net position as a percentage of the total OPEB liability	108.9%	94.2%

Changes of Assumptions

There were a number of changes in the demographic and economic actuarial assumptions. Some of these assumption changes have significantly affected the liability of the plan but in an offsetting manner. Key items to note regarding actuarial assumptions include:

- Overall healthcare cost increases were higher than assumed in the prior valuation, resulting in an actuarial loss.
- Assumed healthcare reform excise tax increased from the prior projection to reflect recent plan experience and up-to-date legislation. The increase in assumed excise tax has the effect of increasing the liability.
- Where applicable, demographic assumptions are based on the actuarial valuation assumptions of the Oregon PERS and OPSRP retirement plans. The latest Oregon PERS and OPSRP valuation report available is as of December 31, 2016. Many assumptions changed from the previous valuation including the rates of retirement, termination, disability, salary scale, and mortality.
- Participation rate was changed from 40% to 45% to better reflect actual experience and anticipated future experience.

No assets have been accumulated in a trust to pay for the related benefits.

*This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF CONTRIBUTIONS

OTHER POSTEMPLOYMENT BENEFITS

<u>RHIA</u>	2018	2017
Contractually required contributions	\$ 21,436	\$ 20,693
Contributions in relation to the contractually required contribution	21,436	20,693
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 4,309,723	\$ 4,340,312
Contributions as a percentage of covered employee payroll	0.50%	0.48%

Changes of Assumptions

There were a number of changes in the demographic and economic actuarial assumptions. Some of these assumption changes have significantly affected the liability of the plan but in an offsetting manner. Key items to note regarding actuarial assumptions include:

- Overall healthcare cost increases were higher than assumed in the prior valuation, resulting in an actuarial loss.
- Assumed healthcare reform excise tax increased from the prior projection to reflect recent plan experience and up-to-date legislation. The increase in assumed excise tax has the effect of increasing the liability.
- Where applicable, demographic assumptions are based on the actuarial valuation assumptions of the Oregon PERS and OPSRP retirement plans. The latest Oregon PERS and OPSRP valuation report available is as of December 31, 2016. Many assumptions changed from the previous valuation including the rates of retirement, termination, disability, salary scale, and mortality.
- Participation rate was changed from 40% to 45% to better reflect actual experience and anticipated future experience.

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SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Local revenue	\$ 6,436,451	\$ 163,381	\$6,599,832	\$ -	\$ 6,599,832
State revenue	<u>1,847,672</u>	<u>360,244</u>	<u>2,207,916</u>	<u>-</u>	<u>2,207,916</u>
Total revenues	<u>8,284,123</u>	<u>523,625</u>	<u>8,807,748</u>	<u>-</u>	<u>8,807,748</u>
EXPENDITURES					
Current					
Instruction	2,418,617	(93,765)	2,324,852	-	2,324,852
Support services	5,515,506	(360,208)	5,155,298	-	5,155,298
Contingency	<u>400,000</u>	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>8,334,123</u>	<u>(853,973)</u>	<u>7,480,150</u>	<u>-</u>	<u>7,480,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50,000)</u>	<u>1,377,598</u>	<u>1,327,598</u>	<u>-</u>	<u>1,327,598</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	5,808,000	(700,379)	5,107,621	-	5,107,621
Transfers out	(5,858,000)	(427,418)	(5,430,582)	-	(5,430,582)
Apportionment of funds by ESD	<u>(1,200,000)</u>	<u>(436,752)</u>	<u>(763,248)</u>	<u>-</u>	<u>(763,248)</u>
Total other financing sources (uses)	<u>(1,250,000)</u>	<u>163,791</u>	<u>(1,086,209)</u>	<u>-</u>	<u>(1,086,209)</u>
Net change in fund balance	(1,300,000)	1,541,389	241,389	-	241,389
Fund balance - beginning	<u>1,800,000</u>	<u>(532,700)</u>	<u>1,267,300</u>	<u>-</u>	<u>1,267,300</u>
Fund balance - ending	<u>\$ 500,000</u>	<u>\$ 1,008,689</u>	<u>\$ 1,508,689</u>	<u>\$ -</u>	<u>\$ 1,508,689</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SPECIAL REVENUE FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Local revenue	\$ 282,975	\$ (43,626)	\$ 239,349	\$ -	\$ 239,349
Intermediate revenue	2,457,506	(199,506)	2,258,000	-	2,258,000
State revenue	176,300	(176,300)	-	-	-
Federal revenue	<u>761,684</u>	<u>(92,146)</u>	<u>669,538</u>	<u>-</u>	<u>669,538</u>
Total revenues	<u>3,678,465</u>	<u>(511,578)</u>	<u>3,166,887</u>	<u>-</u>	<u>3,166,887</u>
EXPENDITURES					
Current					
Instruction	2,822,025	(358,330)	2,463,695	-	2,463,695
Support services	1,511,883	(581,378)	930,505	-	930,505
Contingency	<u>103,394</u>	<u>(103,394)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>4,437,302</u>	<u>(1,043,102)</u>	<u>3,394,200</u>	<u>-</u>	<u>3,394,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(758,837)</u>	<u>531,524</u>	<u>(227,313)</u>	<u>-</u>	<u>(227,313)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	50,000	-	50,000	-	50,000
Long-term debt proceeds	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total other financing sources (uses)	<u>50,000</u>	<u>5,000</u>	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Net change in fund balance	(708,837)	536,524	(172,313)	-	(172,313)
Fund balance - beginning	<u>708,837</u>	<u>326,139</u>	<u>1,034,976</u>	<u>-</u>	<u>1,034,976</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 862,663</u>	<u>\$ 862,663</u>	<u>\$ -</u>	<u>\$ 862,663</u>

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	<u>Actual</u>		GAAP Basis
			<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Long-term debt proceeds	<u>-</u>	<u>35,001</u>	<u>35,001</u>	<u>-</u>	<u>35,001</u>
Net change in fund balance	-	35,001	35,001	-	35,001
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 35,001</u>	<u>\$ 35,001</u>	<u>\$ -</u>	<u>\$ 35,001</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

ENTERPRISE FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Local revenue	\$ 232,750	\$ 11,787	\$ 244,537	\$ -	\$ 244,537
EXPENSES					
Current					
Support services	308,619	(101,725)	206,894	(127,840)	79,054
Facilities acquisition and construction	-	-	-	808	808
Contingency	<u>160,000</u>	<u>(160,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>468,619</u>	<u>(261,725)</u>	<u>206,894</u>	<u>(127,032)</u>	<u>79,862</u>
Excess (deficiency) of revenues over (under) expenses	(235,869)	273,512	37,643	127,032	164,675
Net position - beginning, as restated	<u>235,869</u>	<u>(121,302)</u>	<u>114,567</u>	<u>(127,059)</u>	<u>(12,492)</u>
Net position - ending	<u>\$ -</u>	<u>\$ 152,210</u>	<u>\$ 152,210</u>	<u>\$ (27)</u>	<u>\$ 152,183</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

INTERNAL SERVICE FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Local revenue	\$ 16,376	\$ (2,555)	\$ 13,821	\$ -	\$ 13,821
EXPENSES					
Current					
Support services	21,376	7,146	28,522	-	28,522
Contingency	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>46,376</u>	<u>(17,854)</u>	<u>28,522</u>	<u>-</u>	<u>28,522</u>
Excess (deficiency) of revenues over (under) expenses	(30,000)	15,299	(14,701)	-	(14,701)
Net position - beginning	<u>30,000</u>	<u>35,269</u>	<u>65,269</u>	<u>-</u>	<u>65,269</u>
Net position - ending	<u>\$ -</u>	<u>\$ 50,568</u>	<u>\$ 50,568</u>	<u>\$ -</u>	<u>\$ 50,568</u>

OTHER FINANCIAL SCHEDULES

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

REVENUE SUMMARY - ALL FUNDS

For the Year Ended June 30, 2018

	Fund 100	Fund 200	Fund 400
Revenue from Local Sources			
1110 Ad Valorem Taxes Levied by District	\$ 3,678,141	\$ -	\$ -
1200 Revenue from Local Governmental Units Other Than Districts	-	1,423	-
1500 Earnings on Investments	41,281	-	-
1910 Rentals	2,500	-	-
1940 Services Provided Other Local Education Agencies	1,928,103	35,291	-
1960 Recovery of Prior Years' Expenditure	530	13,684	-
1970 Services Provided Other Funds	772,338	1,174	-
1990 Miscellaneous	176,939	187,777	-
Total Revenue from Local Sources	\$ 6,599,832	\$ 239,349	\$ -
Revenue from Intermediate Sources			
2200 Restricted Revenue	-	\$ 2,258,000	\$ -
Total Revenue from Intermediate Sources	\$ -	\$ 2,258,000	\$ -
Revenue from State Sources			
3101 State School Fund - General Support	\$ 2,200,743	\$ -	\$ -
3104 State Managed County Timber	6,673	-	-
3299 Other Restricted Grants-in-Aid	500	-	-
Total Revenue from State Sources	\$ 2,207,916	\$ -	\$ -
Revenue from Federal Sources			
4500 Restricted Revenue From the Federal Government Through the State	\$ -	\$ 669,538	\$ -
Total Revenue from Federal Sources	\$ -	\$ 669,538	\$ -
Revenue from Other Sources			
5100 Long Term Debt Financing Sources	\$ -	\$ 5,000	\$ 35,001
5200 Interfund Transfers	5,107,621	50,000	-
5400 Resources - Beginning Fund Balance	1,267,300	1,034,976	-
Total Revenue from Other Sources	\$ 6,374,921	\$ 1,089,976	\$ 35,001
Grand Totals	\$ 15,182,669	\$ 4,256,863	\$ 35,001

Fund 500	Fund 600	Fund 700
\$ -	\$ -	\$ -
-	-	-
-	-	1,176
-	-	-
237,404	-	-
-	-	-
5,467	13,821	-
1,666	-	-
\$ 244,537	\$ 13,821	\$ 1,176

Fund 500	Fund 600	Fund 700
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -

Fund 500	Fund 600	Fund 700
\$ -	\$ -	\$ -
-	-	-
-	-	-
\$ -	\$ -	\$ -

Fund 500	Fund 600	Fund 700
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -

Fund 500	Fund 600	Fund 700
\$ -	\$ -	\$ -
-	-	5,380,582
114,567	65,269	238,286
\$ 114,567	\$ 65,269	\$ 5,618,868
\$ 359,104	\$ 79,090	\$ 5,620,044

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - GENERAL FUND

For the Year Ended June 30, 2018

Instruction Expenditures

	Totals	Object 100	Object 200
1220 Restrictive Programs for Students with Disabilities	\$ 2,220,664	\$ 1,096,913	\$ 747,814
1260 Treatment and Habilitation	104,188	56,972	26,395
Total Instruction Expenditures	\$ 2,324,852	\$ 1,153,885	\$ 774,209

Support Services Expenditures

	Totals	Object 100	Object 200
2110 Attendance and Social Work Services	\$ 25,314	\$ 17,584	\$ 5,217
2120 Guidance Services	111,637	65,279	34,684
2130 Health Services	818,224	399,714	256,304
2140 Psychological Services	424,931	240,265	135,389
2150 Speech Pathology and Audiology Services	861,816	500,860	293,584
2160 Other Student Treatment Services	819,449	462,737	300,859
2190 Service Direction, Student Support Services	57,630	30,299	21,990
2210 Improvement of Instruction Services	59,898	21,106	11,473
2240 Instructional Staff Development	27,844	19,667	8,177
2310 Board of Education Services	81,416	11,081	5,589
2320 Executive Administration Services	229,622	121,751	76,637
2490 Other Support Services - School Administration	48,726	17,086	8,294
2520 Fiscal Services	630,828	317,564	129,724
2540 Operation and Maintenance of Plant Services	305,469	107,468	43,164
2630 Information Services	2,472	-	-
2640 Staff Services	78,230	26,855	25,653
2660 Technology Services	571,792	159,929	62,293
Total Support Services Expenditures	\$ 5,155,298	\$ 2,519,245	\$ 1,419,031

Other Uses Expenditures

	Totals	Object 100	Object 200
5200 Transfers of Funds	\$ 5,430,582	\$ -	\$ -
5300 Apportionment of Funds by ESD	763,248	-	-
Total Other Uses Expenditures	\$ 6,193,830	\$ -	\$ -

Grand Total

\$ 13,673,980	\$ 3,673,130	\$ 2,193,240
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Object 300	Object 400	Object 500	Object 600	Object 700
\$ 76,446	\$ 184,548	\$ -	\$ 114,943	\$ -
15,283	577	-	4,961	-
\$ 91,729	\$ 185,125	\$ -	\$ 119,904	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 761	\$ 547	\$ -	\$ 1,205	\$ -
4,371	1,987	-	5,316	-
123,374	(144)	-	38,976	-
22,367	5,706	-	21,204	-
13,887	10,472	-	43,013	-
14,247	1,991	-	39,615	-
2,597	-	-	2,744	-
20,086	4,376	-	2,857	-
-	-	-	-	-
54,235	3,244	-	7,267	-
23,387	1,362	-	6,485	-
11,273	9,643	-	2,430	-
165,948	3,158	-	14,434	-
88,189	13,143	-	53,505	-
200	2,272	-	-	-
14,672	8,205	-	2,845	-
300,935	29,362	1,000	18,273	-
\$ 860,529	\$ 95,324	\$ 1,000	\$ 260,169	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ -	\$ -	\$ -	\$ -	\$ 5,430,582
-	-	-	-	763,248
\$ -	\$ -	\$ -	\$ -	\$ 6,193,830
\$ 952,258	\$ 280,449	\$ 1,000	\$ 380,073	\$ 6,193,830

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - SPECIAL REVENUE FUND

For the Year Ended June 30, 2018

Instruction Expenditures

	Totals	Object 100	Object 200
1220 Restrictive Programs for Students with Disabilities	\$ 1,013	\$ -	\$ -
1250 Less Restrictive Programs for Students with Disabilities	403,772	231,093	96,432
1260 Treatment and Habilitation	1,755,064	867,830	455,309
1299 Other Programs	303,846	150,246	83,599
Total Instruction Expenditures	\$ 2,463,695	\$ 1,249,169	\$ 635,340

Support Services Expenditures

	Totals	Object 100	Object 200
2110 Attendance and Social Work Services	\$ 600	\$ -	\$ -
2130 Health Services	7,575	3,177	569
2150 Speech Pathology and Audiology Services	74,398	41,043	2,189
2160 Other Student Treatment Services	207,924	114,640	69,381
2210 Improvement of Instruction Services	310,080	74,927	28,758
2240 Instructional Staff Development	200,561	108,444	43,797
2540 Operation and Maintenance of Plant Services	123,229	-	-
2640 Staff Services	6,138	-	-
Total Support Services Expenditures	\$ 930,505	\$ 342,231	\$ 144,694

Grand Total

Grand Total	\$ 3,394,200	\$ 1,591,400	\$ 780,034
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Object 300	Object 400	Object 500	Object 600
\$ 965	\$ -	\$ -	\$ 48
35,541	9,840	-	30,866
270,874	15,879	-	145,172
46,950	8,582	-	14,469
\$ 354,330	\$ 34,301	\$ -	\$ 190,555

Object 300	Object 400	Object 500	Object 600
\$ 201	\$ 399	\$ -	\$ -
16	3,612	-	201
809	997	23,248	6,112
6,671	547	-	16,685
57,512	134,713	-	14,170
24,133	16,236	-	7,951
117,642	-	-	5,587
4,439	1,699	-	-
\$ 211,423	\$ 158,203	\$ 23,248	\$ 50,706
\$ 565,753	\$ 192,504	\$ 23,248	\$ 241,261

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - ENTERPRISE FUND

For the Year Ended June 30, 2018

Support Services Expenditures

2660 Technology Services

Total Support Services Expenditures

Grand Total

Totals	Object 100	Object 200
\$ 206,894	\$ 20,218	\$ 7,106
\$ 206,894	\$ 20,218	\$ 7,106
\$ 206,894	\$ 20,218	\$ 7,106

Object 300	Object 400	Object 600
\$ 151,323	\$ 18,043	\$ 10,204
\$ 151,323	\$ 18,043	\$ 10,204
\$ 151,323	\$ 18,043	\$ 10,204

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - INTERNAL SERVICE FUND

For the Year Ended June 30, 2018

	Totals	Object 300	Object 400	Object 500
Support Services Expenditures				
2570 Internal Services	\$ 28,522	\$ 22,919	\$ 3,404	\$ 2,199
Total Support Services Expenditures	\$ 28,522	\$ 22,919	\$ 3,404	\$ 2,199
 Grand Total	 \$ 28,522	 \$ 22,919	 \$ 3,404	 \$ 2,199

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - FIDUCIARY FUND

For the Year Ended June 30, 2018

Other Uses Expenditures
5200 Transfers of Funds

	Totals	Object 700
	\$ 5,107,621	\$ 5,107,621
Total Other Uses Expenditures	\$ 5,107,621	\$ 5,107,621
	\$ 5,107,621	\$ 5,107,621

Grand Total

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2018

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2017</u>	<u>2017-2018 Levy</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2018</u>
Coos County					
2017-2018	\$ -	\$ 2,263,025	\$ (61,261)	\$ 2,107,215	\$ 94,549
2016-2017	92,841	-	(352)	39,594	52,895
2015-2016	57,652	-	(366)	17,936	39,350
2014-2015	32,954	-	(387)	19,979	12,588
2013-2014	14,706	-	(323)	11,105	3,278
2012-2013	3,257	-	(312)	910	2,035
2011-2012	2,017	-	(151)	495	1,371
Prior	<u>5,494</u>	<u>-</u>	<u>-</u>	<u>609</u>	<u>4,885</u>
Subtotal - Prior	<u>208,921</u>	<u>-</u>	<u>(1,891)</u>	<u>90,628</u>	<u>116,402</u>
Total Coos County	<u>208,921</u>	<u>2,263,025</u>	<u>(63,152)</u>	<u>2,197,843</u>	<u>210,951</u>
Curry County					
2017-2018	-	1,306,989	(36,658)	1,223,633	46,698
2016-2017	48,247	-	(382)	23,877	23,988
2015-2016	25,247	-	(168)	7,986	17,093
2014-2015	18,280	-	(108)	8,300	9,872
2013-2014	9,052	-	(109)	3,167	5,776
2012-2013	5,329	-	(109)	219	5,001
2011-2012	4,550	-	(119)	61	4,370
Prior	<u>9,122</u>	<u>-</u>	<u>(26)</u>	<u>479</u>	<u>8,617</u>
Subtotal - Prior	<u>119,827</u>	<u>-</u>	<u>(1,021)</u>	<u>44,089</u>	<u>74,717</u>
Total Curry County	<u>119,827</u>	<u>1,306,989</u>	<u>(37,679)</u>	<u>1,267,722</u>	<u>121,415</u>

(Continued)

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2018

(Continued)

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2017</u>	<u>2017-2018 Levy</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2018</u>
Douglas County					
2017-2018	\$ -	\$ 202,906	\$ (5,626)	\$ 189,913	\$ 7,367
2016-2017	7,788	-	(174)	3,233	4,381
2015-2016	4,603	-	(23)	1,505	3,075
2014-2015	3,285	-	(14)	1,391	1,880
2013-2014	1,745	-	(4)	852	889
2012-2013	834	-	(6)	66	762
2011-2012	669	-	(1)	40	628
Prior	<u>1,162</u>	<u>-</u>	<u>(2)</u>	<u>35</u>	<u>1,125</u>
Subtotal - Prior	<u>20,086</u>	<u>-</u>	<u>(224)</u>	<u>7,122</u>	<u>12,740</u>
Total Douglas County	<u>20,086</u>	<u>202,906</u>	<u>(5,850)</u>	<u>197,035</u>	<u>20,107</u>
Total	<u>\$ 348,834</u>	<u>\$ 3,772,920</u>	<u>\$ (106,681)</u>	3,662,600	<u>\$ 352,473</u>
Add:					
Other taxes and interest				26,605	
Undistributed taxes with counties, July 1, 2017				<u>35,430</u>	
Total available				3,724,635	
Less: Turnovers to District				<u>(3,687,794)</u>	
Undistributed taxes with counties, June 30, 2018				<u>\$ 36,841</u>	

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

<u>Federal Grantor, Pass through Grantor, Program Title</u>	<u>CFDA</u>	<u>Grant Period</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through Oregon State Department of Education			
Special Education Cluster			
IDEA Special Education Grants to States	84.027	2016-2018	\$ 10,379
Carl Perkins	84.048	2016-2018	305,686
Youth Transition Program	84.126A	2017-2019	239,109
English Language Acquisition State Grants	84.365	2016-2018	10,177
Title III - HB 3499	99.998	2017-2019	<u>104,187</u>
Total federal expenditures			<u>\$ 669,538</u>

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
South Coast Education Service District
Coos Bay, Oregon 97420

We have audited the basic financial statements of South Coast Education Service District as of and for the year ended June 30, 2018, and have issued our report thereon dated December 18, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether South Coast Education Service 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 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Accounting records

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

State school fund factors and calculation

Accountability for collecting or receiving money by elected officials

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following:

1. The District expended funds in excess of the amount appropriated, which is in violation of ORS 294.100. The following appropriation was over-expended for the fiscal year ended June 30, 2018:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Internal Service	Support services	\$ 21,376	\$ 28,522	\$ 7,146

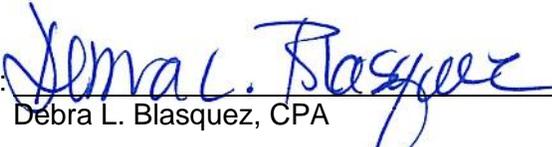
The District does not have any elected officials collecting or receiving money.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated December 18, 2018.

This report is intended solely for the information and use of the board of directors and management of South Coast Education Service District and the Oregon Secretary of State, and is not intended to be and should not be used by anyone other than these parties.

Koontz, Perdue, Blasquez & Co., P.C.

By:  _____
 Debra L. Blasquez, CPA

Albany, Oregon
 December 18, 2018

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2018

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

- A. **Energy Bill for Heating – All Funds:**
 Please enter your expenditures for electricity and heating fuel for these Functions and Objects.

	Objects 325 and 326
Function 2540	\$ 40,218
Function 2550	\$ -

- B. **Replacement of Equipment – General Fund:**
 Include all General Fund expenditures in object 542, except for the following exclusions:

\$ 1,000

Exclude these functions:

1113, 1122, and 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