

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

ANNUAL FINANCIAL REPORT

June 30, 2017



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

DISTRICT OFFICIALS

June 30, 2017

BOARD OF DIRECTORS

Jackie Crook, Chair
23710 Carpenterville Road
Brookings, Oregon 97415

Fred Brick, Vice Chair
781 17th Avenue
Coos Bay, Oregon 97420

Glenn Thurkow
93702 E. Dove Lane
North Bend, Oregon 97459

Maria Wartnik
95420 Highway 42
Coos Bay, Oregon 97420

Corrine Potts
851 5th Street
Coos Bay, Oregon 97420

Gloria Mittleman
63655 Shill Road
Coos Bay, Oregon 97420

ADMINISTRATION

Tenneal Wetherell, Superintendent

Laura Shivers, Business Manager

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2017, 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.

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, and budgetary comparison information on pages 4 through 14, 55, 56, and 57 through 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, schedule of the proportionate share of the net pension liability, and schedule of contributions 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, or schedule of contributions 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.

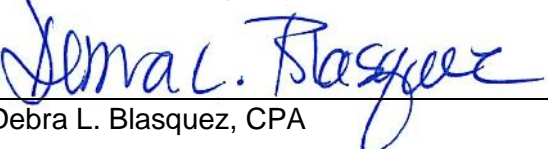
The individual fund schedules, revenue and expenditure summaries, and schedule of expenditures of federal awards are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has 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 21, 2017 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 21, 2017

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, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2017, total net position of South Coast Education Service District amounted to \$(968,628). Of this amount, \$2,275,422 was invested in capital assets, net of related debt. The remaining balance included \$1,034,976 restricted for special programs and \$(4,279,026) of unrestricted net position.
- At June 30, 2017, the District's governmental funds reported combined ending fund balances of \$2,302,276.

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 15 through 17 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 two 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, both of which are considered to be major governmental funds.

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 18 through 21 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.

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.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 22 through 24 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 25 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 26 through 54 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, and budgetary comparison information for the General and Special Revenue Funds. This required supplementary information can be found on pages 55 through 58 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 59 through 60 of this report.

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, 2017, the District's liabilities exceeded its assets by \$968,628.

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.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

District's Net Position

The District's net position decreased by \$1,463,804 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets and deferred outflows of resources						
Current assets	\$ 1,593,458	\$ 2,373,283	\$ 120,016	\$ 326,672	\$ 1,713,474	\$ 2,699,955
Restricted assets	1,699,487	857,149	-	-	1,699,487	857,149
Capital assets, net of accumulated depreciation	2,274,841	2,413,794	5,664	6,037	2,280,505	2,419,831
Deferred outflows of resources	<u>5,737,318</u>	<u>1,141,741</u>	<u>123,240</u>	<u>20,186</u>	<u>5,860,558</u>	<u>1,161,927</u>
Total assets and deferred outflows of resources	<u>11,305,104</u>	<u>6,785,967</u>	<u>248,920</u>	<u>352,895</u>	<u>11,554,024</u>	<u>7,138,862</u>
Liabilities and deferred inflows of resources						
Current liabilities	665,441	359,586	12,606	12,613	678,047	372,199
Noncurrent liabilities	10,674,256	4,792,512	229,062	84,494	10,903,318	4,877,006
Deferred inflows of resources	<u>921,493</u>	<u>1,370,255</u>	<u>19,794</u>	<u>24,226</u>	<u>941,287</u>	<u>1,394,481</u>
Total liabilities and deferred inflows of resources	<u>12,261,190</u>	<u>6,522,353</u>	<u>261,462</u>	<u>121,333</u>	<u>12,522,652</u>	<u>6,643,686</u>
Net position						
Net investment in capital assets	2,269,758	2,395,219	5,664	6,037	2,275,422	2,401,256
Restricted for special programs	1,034,976	857,149	-	-	1,034,976	857,149
Unrestricted	<u>(4,260,820)</u>	<u>(2,988,754)</u>	<u>(18,206)</u>	<u>225,525</u>	<u>(4,279,026)</u>	<u>(2,763,229)</u>
Total net position	<u>\$ (956,086)</u>	<u>\$ 263,614</u>	<u>\$ (12,542)</u>	<u>\$ 231,562</u>	<u>\$ (968,628)</u>	<u>\$ 495,176</u>

District's Changes in Net Position

The condensed statement of activities information shown on the following page explains changes in net position.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program revenues						
Special programs	\$ 4,346,743	\$ 3,499,369	\$ -	\$ 35	\$ 4,346,743	\$ 3,499,404
Student support services	1,946,713	2,212,846	-	-	1,946,713	2,212,846
Business support services	-	14,494	-	-	-	14,494
Central activities support	-	-	360,197	158,412	360,197	158,412
Total program revenues	<u>6,293,456</u>	<u>5,726,709</u>	<u>360,197</u>	<u>158,447</u>	<u>6,653,653</u>	<u>5,885,156</u>
General revenues						
Property taxes - general	3,535,855	3,429,610	-	-	3,535,855	3,429,610
Unrestricted state and local revenue	1,666,950	1,725,972	841	4,607	1,667,791	1,730,579
Insurance proceeds	405,390	367,923	-	-	405,390	367,923
Investment earnings	39,817	32,649	-	-	39,817	32,649
Miscellaneous	<u>52,345</u>	<u>101,559</u>	<u>482</u>	<u>958</u>	<u>52,827</u>	<u>102,517</u>
Total general revenues	<u>5,700,357</u>	<u>5,657,713</u>	<u>1,323</u>	<u>5,565</u>	<u>5,701,680</u>	<u>5,663,278</u>
Total revenues	<u>11,993,813</u>	<u>11,384,422</u>	<u>361,520</u>	<u>164,012</u>	<u>12,355,333</u>	<u>11,548,434</u>
Program expenses						
Special programs	5,209,333	6,849,886	-	-	5,209,333	6,849,886
Student support services	3,770,052	4,260,783	7,046	14,480	3,777,098	4,275,263
Instructional staff support	858,772	449,767	-	-	858,772	449,767
General administrative support	282,473	323,699	-	-	282,473	323,699
School administration	43,272	33,237	-	-	43,272	33,237
Business support services	977,756	899,551	-	-	977,756	899,551
Central activities support	862,901	787,255	595,039	255,348	1,457,940	1,042,603
Apportionment of funds by ESD	852,923	856,797	-	-	852,923	856,797
Unallocated depreciation expense	<u>224,340</u>	<u>232,178</u>	<u>373</u>	<u>373</u>	<u>224,713</u>	<u>232,551</u>
Total program expenses	<u>13,081,822</u>	<u>14,693,153</u>	<u>602,458</u>	<u>270,201</u>	<u>13,684,280</u>	<u>14,963,354</u>
Transfers	<u>(131,691)</u>	<u>(50,767)</u>	<u>(3,166)</u>	<u>-</u>	<u>(134,857)</u>	<u>(50,767)</u>
Change in net position	(1,219,700)	(3,359,498)	(244,104)	(106,189)	(1,463,804)	(3,465,687)
Net position - beginning of year	<u>263,614</u>	<u>3,623,112</u>	<u>231,562</u>	<u>337,751</u>	<u>495,176</u>	<u>3,960,863</u>
Net position - end of year	<u>\$ (956,086)</u>	<u>\$ 263,614</u>	<u>\$ (12,542)</u>	<u>\$ 231,562</u>	<u>\$ (968,628)</u>	<u>\$ 495,176</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 governmental funds reported combined fund balances of \$2,302,276. Of this amount, \$1,248,995 constitutes unassigned fund balance, which is available for spending at the District's discretion.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was \$1,267,300. Of this amount, \$18,305 constitutes nonspendable prepaid assets and the remaining \$1,248,995 constitutes unassigned fund balance.

A comparison of current year and prior year revenues and expenditures is shown below.

	<u>2017</u>	<u>2016</u>
Revenues		
Property taxes	\$ 3,518,837	\$ 3,423,729
Intergovernmental	3,243,551	2,651,619
Charges for services	5,093,667	5,151,436
Miscellaneous	<u>92,099</u>	<u>134,120</u>
Total revenues	<u>11,948,154</u>	<u>11,360,904</u>
Expenditures		
Current		
Instruction	4,902,117	4,928,694
Support services	<u>6,338,025</u>	<u>4,951,340</u>
Total expenditures	<u>11,240,142</u>	<u>9,880,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 708,012</u>	<u>\$ 1,480,870</u>

The following denotes explanations for the significant changes in amounts between the current and prior year:

- Miscellaneous: Miscellaneous revenue decreased 31.3% from the prior year due to a decrease in billed Medicaid revenues due to changes in staffing, billing software, and a backlog of cases.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Support services: Support services expenditures increased 28% over the prior year primarily due to increased nursing needs by the component districts that South Coast Education Service District serves.

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 \$52,727. Of this amount, \$5,664 was invested in capital assets and the remaining amount of \$47,063 was unrestricted.

A comparison of current year and prior year revenues and expenses for the proprietary funds is shown below.

	<u>2017</u>	<u>2016</u>
Revenues		
Charges for services	\$ 388,775	\$ 175,996
Other income	<u>1,386</u>	<u>5,653</u>
Total revenues	<u>390,161</u>	<u>181,649</u>
Expenses		
Current		
Support services	624,941	289,357
Facilities acquisition and construction	<u>373</u>	<u>373</u>
Total expenses	<u>625,314</u>	<u>289,730</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (235,153)</u>	<u>\$ (108,081)</u>

The following denotes explanations for the significant changes in amounts between the current and prior year:

- Charges for services: Charges for services increased 120.9% over the prior year due to changing from the in-house financial software provided to 34 school district across the state of Oregon to iVisions software. The District purchased the iVisions licensing, providing continued financial software services to current customers; however, there was a cost increase that needed to be recovered through increased changes for services.
- Other income: Other income decreased by 75.5% from the prior year due to less requested services from other customers. This is a very small revenue source and fluctuates greatly from year to year.
- Support services: Support services expenses increased 116% over the prior year due to the purchase of iVisions licensing to continue to provide financial software services to 34 school districts across the state of Oregon.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUDGETARY HIGHLIGHTS

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

Governmental Funds

The table below compares revenues and expenditures of the governmental funds to budgeted amounts used by the funds to monitor performance during the year. The overall change in fund balances was budgeted at a net decrease of \$1,779,702. Total actual expenditures, transfers out, and apportionment of funds exceeded total actual revenues and transfers in by \$276,602. The favorable variance of \$1,503,100 can be attributed to expenditures being less than anticipated.

	<u>Final Budget</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues			
Local revenue	\$ 6,682,140	\$ 6,727,113	\$ 44,973
Intermediate revenue	2,554,228	2,463,255	(90,973)
State revenue	2,447,154	2,184,098	(263,056)
Federal revenue	<u>742,359</u>	<u>573,688</u>	<u>(168,671)</u>
Total revenues	<u>12,425,881</u>	<u>11,948,154</u>	<u>(477,727)</u>
Expenditures			
Current			
Instruction	5,730,674	4,902,117	(828,557)
Support services	6,905,998	6,338,025	(567,973)
Contingency	<u>473,122</u>	<u>-</u>	<u>(473,122)</u>
Total expenditures	<u>13,109,794</u>	<u>11,240,142</u>	<u>(1,869,652)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(683,913)</u>	<u>708,012</u>	<u>1,391,925</u>
Other financing sources (uses)			
Transfers in	6,104,211	5,892,591	(211,620)
Transfers out	(6,000,000)	(6,024,282)	24,282
Apportionment of funds by ESD	<u>(1,200,000)</u>	<u>(852,923)</u>	<u>(347,077)</u>
Total other financing sources (uses)	<u>(1,095,789)</u>	<u>(984,614)</u>	<u>111,175</u>
Net change in fund balances	(1,779,702)	(276,602)	1,503,100
Fund balances - beginning	<u>2,179,702</u>	<u>2,578,878</u>	<u>399,176</u>
Fund balances - ending	<u>\$ 400,000</u>	<u>\$ 2,302,276</u>	<u>\$ 1,902,276</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following denotes explanations for some of the major variance between budgeted and actual amounts above:

- State revenues were budgeted for \$2,447,154. Actual revenue was \$2,184,098 (10.8% under budget) due to reductions in the Oregon Department of Education State School Fund estimates provided in March 2016.
- Federal revenues were budgeted for \$742,359. Actual revenue was \$573,688 (22.7% under budget) due to an overestimation of federal grant revenue.
- Apportionment of funds by ESD were budgeted for \$1,200,000. The actual other financing use amount was \$852,923 (28.9% under budget) due to the difficult nature of estimating the amounts the component districts will request as a flow-through revenue allowed in the South Coast Education Service District Local Service Plan. Districts have a degree of flexibility in deciding how they will use their service credits with the District, and anticipating those requests months in advance of the actual requests is challenging.

Proprietary Funds

The table below compares revenues and expenses of the proprietary funds to budgeted amounts used by the funds to monitor performance during the year. The overall change in net position was budgeted at a net decrease of \$362,507. Total actual expenses and transfers out exceeded total revenues by \$200,861. The favorable variance of \$161,646 can be attributed to expenses being less than anticipated.

	<u>Final Budget</u>	<u>Actual Budget Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues			
Local revenue	\$ 505,622	\$ 390,161	\$ (115,461)
Expenses			
Current			
Support services	673,876	587,856	(86,020)
Contingency	<u>191,087</u>	<u>-</u>	<u>(191,087)</u>
Total expenses	<u>864,963</u>	<u>587,856</u>	<u>(277,107)</u>
Excess (deficiency) of revenues over (under) expenses	(359,341)	(197,695)	161,646
Other financing sources (uses)			
Transfers out	<u>(3,166)</u>	<u>(3,166)</u>	<u>-</u>
Change in net position	(362,507)	(200,861)	161,646
Net position - beginning	<u>362,507</u>	<u>380,697</u>	<u>18,190</u>
Net position - ending	<u>\$ -</u>	<u>\$ 179,836</u>	<u>\$ 179,836</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following denotes an explanation for the major variance between budgeted and actual amounts above:

- Local revenue was budgeted for \$505,622. Actual revenue was \$390,161 (22.8% under budget) due to allowing school districts for which the District provides financial software services, the ability to spread the increased costs and training of iVisions over one, two, or three years. At the time of preparing the budget, the District had not received the preferred payment method from clients, so it was budgeted as if all would pay in full in one year.

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, 2017 amounted to \$2,274,841 and \$5,664, net of accumulated depreciation, respectively. This investment in capital assets includes land, 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 \$224,340 and \$373, respectively.

Additional information on the District's capital assets can be found in Note III-B on pages 37 through 38 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total debt outstanding of \$5,083. This amount is comprised of two capital leases. The District's total debt outstanding decreased by \$13,492 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note III-F on pages 40 through 41 of this report.

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 factor for the District is the State School Fund. Revenues received within the State School Fund formula account for 64% 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. PERS rates are proposed to increase from 27.20% of payroll to 35.59% in the 2019-2020 fiscal year.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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 2017-2018. 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 \$1,248,995 will be available for program resources in fiscal year 2017-2018.

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 Business Manager, Laura Shivers, 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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash and cash equivalents	\$ 197,132	\$ 72,909	\$ 270,041
Undistributed taxes with county	35,430	-	35,430
Accounts receivable	32	45,497	45,529
Property taxes receivable	348,834	-	348,834
Inventories	-	784	784
Intergovernmental receivables	177,875	-	177,875
Interfund receivables	815,850	-	815,850
Prepays	18,305	826	19,131
Total current assets	1,593,458	120,016	1,713,474
Restricted assets			
Accounts receivable	1,690,748	-	1,690,748
Intergovernmental receivables	8,739	-	8,739
Total restricted assets	1,699,487	-	1,699,487
Capital assets			
Land	70,150	-	70,150
Other capital assets, net of accumulated depreciation	2,204,691	5,664	2,210,355
Total capital assets	2,274,841	5,664	2,280,505
Total assets	5,567,786	125,680	5,693,466
Deferred outflows of resources			
Net deferred outflow of pension related resources	5,737,318	123,240	5,860,558
Total assets and deferred outflows of resources	11,305,104	248,920	11,554,024
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accounts payable	13,888	-	13,888
Accrued payroll liabilities	585,880	3,914	589,794
Compensated absences	62,638	8,692	71,330
Capital lease payable, current portion	3,035	-	3,035
Total current liabilities	665,441	12,606	678,047

(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, 2017

(Continued)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
(Continued)			
Noncurrent liabilities			
Severance contract payable	\$ 8,401	\$ -	\$ 8,401
Capital lease payable, less current portion	2,048	-	2,048
Net pension liability	10,663,807	229,062	10,892,869
Total noncurrent liabilities	10,674,256	229,062	10,903,318
Total liabilities	11,339,697	241,668	11,581,365
Deferred inflows of resources			
Net deferred inflow of pension related resources	921,493	19,794	941,287
Total liabilities and deferred inflows of resources	12,261,190	261,462	12,522,652
NET POSITION			
Net investment in capital assets	2,269,758	5,664	2,275,422
Restricted for special programs	1,034,976	-	1,034,976
Unrestricted	(4,260,820)	(18,206)	(4,279,026)
Total net position	\$ (956,086)	\$ (12,542)	\$ (968,628)

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, 2017

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	\$ 5,209,333	\$ 3,329,270	\$ 1,017,473	\$ -
Student support services	3,770,052	1,792,975	153,738	-
Instructional staff support	858,772	-	-	-
General administrative support	282,473	-	-	-
School administration	43,272	-	-	-
Business support services	977,756	-	-	-
Central activities support	862,901	-	-	-
Apportionment of funds by ESD	852,923	-	-	-
Unallocated depreciation expense	<u>224,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 13,081,822</u>	<u>\$ 5,122,245</u>	<u>\$ 1,171,211</u>	<u>\$ -</u>
Business-type activities				
Student support services	\$ 7,046	\$ -	\$ -	\$ -
Central activities support	595,039	360,197	-	-
Unallocated depreciation expense	<u>373</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 602,458</u>	<u>\$ 360,197</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

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
\$ (862,590)	\$ -	\$ (862,590)
(1,823,339)	-	(1,823,339)
(858,772)	-	(858,772)
(282,473)	-	(282,473)
(43,272)	-	(43,272)
(977,756)	-	(977,756)
(862,901)	-	(862,901)
(852,923)	-	(852,923)
<u>(224,340)</u>	<u>-</u>	<u>(224,340)</u>
<u>(6,788,366)</u>	<u>-</u>	<u>(6,788,366)</u>
-	(7,046)	(7,046)
-	(234,842)	(234,842)
<u>-</u>	<u>(373)</u>	<u>(373)</u>
<u>-</u>	<u>(242,261)</u>	<u>(242,261)</u>
3,535,855	-	3,535,855
1,666,950	841	1,667,791
405,390	-	405,390
39,817	-	39,817
<u>52,345</u>	<u>482</u>	<u>52,827</u>
<u>5,700,357</u>	<u>1,323</u>	<u>5,701,680</u>
<u>(131,691)</u>	<u>(3,166)</u>	<u>(134,857)</u>
(1,219,700)	(244,104)	(1,463,804)
<u>263,614</u>	<u>231,562</u>	<u>495,176</u>
<u>\$ (956,086)</u>	<u>\$ (12,542)</u>	<u>\$ (968,628)</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 784,169	\$ -	\$ 784,169
Undistributed taxes with county	35,430	-	35,430
Accounts receivable	32	1,690,748	1,690,780
Property taxes receivable	348,834	-	348,834
Intergovernmental receivables	177,875	8,739	186,614
Interfund receivables	815,850	-	815,850
Prepays	18,305	-	18,305
 Total assets	 <u>\$ 2,180,495</u>	 <u>\$ 1,699,487</u>	 <u>\$ 3,879,982</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Book overdraft	\$ -	\$ 652,306	\$ 652,306
Accounts payable	1,683	12,205	13,888
Accrued payroll liabilities	585,880	-	585,880
 Total liabilities	 <u>587,563</u>	 <u>664,511</u>	 <u>1,252,074</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	325,632	-	325,632
Fund balances			
Nonspendable - prepaids	18,305	-	18,305
Restricted for special programs	-	1,034,976	1,034,976
Unassigned	1,248,995	-	1,248,995
 Total fund balances	 <u>1,267,300</u>	 <u>1,034,976</u>	 <u>2,302,276</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 2,180,495</u>	 <u>\$ 1,699,487</u>	 <u>\$ 3,879,982</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, 2017

Total fund balances		\$ 2,302,276
Capital assets are not financial resources and are therefore not reported in the governmental funds.		
Cost	4,052,755	
Accumulated depreciation and amortization	<u>(1,777,914)</u>	2,274,841
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.		325,632
Net pension assets and liabilities are not financial resources and are therefore not reported in the governmental funds.		(10,663,807)
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.		65,269
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:		
Compensated absences	(62,638)	
Severance contract payable	(8,401)	
Capital lease payable	<u>(5,083)</u>	(76,122)
Current year PERS contributions are deferred outflows of resources that will be recognized as expenditures in the subsequent year.		5,737,318
The proportionate share of net differences between projected and actual earnings on investments will be amortized over the next five years.		<u>(921,493)</u>
Net position of governmental activities		\$ <u>(956,086)</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, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 3,518,837	\$ -	\$ 3,518,837
Intergovernmental	1,961,133	1,282,418	3,243,551
Charges for services	2,572,868	2,520,799	5,093,667
Miscellaneous	<u>77,422</u>	<u>14,677</u>	<u>92,099</u>
 Total revenues	 <u>8,130,260</u>	 <u>3,817,894</u>	 <u>11,948,154</u>
EXPENDITURES			
Current			
Instruction	2,274,348	2,627,769	4,902,117
Support services	<u>5,272,613</u>	<u>1,065,412</u>	<u>6,338,025</u>
 Total expenditures	 <u>7,546,961</u>	 <u>3,693,181</u>	 <u>11,240,142</u>
Excess (deficiency) of revenues over (under) expenditures	<u>583,299</u>	<u>124,713</u>	<u>708,012</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,842,591	50,000	5,892,591
Transfers out	(6,024,282)	-	(6,024,282)
Apportionment of funds by ESD	<u>(852,923)</u>	<u>-</u>	<u>(852,923)</u>
 Total other financing sources (uses)	 <u>(1,034,614)</u>	 <u>50,000</u>	 <u>(984,614)</u>
 Net change in fund balances	 (451,315)	 174,713	 (276,602)
Fund balances - beginning	<u>1,718,615</u>	<u>860,263</u>	<u>2,578,878</u>
Fund balances - ending	<u>\$ 1,267,300</u>	<u>\$ 1,034,976</u>	<u>\$ 2,302,276</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, 2017

Net change in fund balances \$ (276,602)

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.

Disposal of capital assets	(30,000)	
Related accumulated depreciation	30,000	
Purchase of capital assets	85,387	
Less current year depreciation	<u>(224,340)</u>	(138,953)

Governmental funds report prepayments on unfunded pension liability as an expenditure; however, in the statement of activities, this payment is capitalized and amortized over the life of the unfunded liability. (5,884,779)

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	13,492
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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. 5,785

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. 17,018

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. 5,044,339

Change in net position \$ (1,219,700)

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, 2017

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash and cash equivalents	\$ 72,909	\$ 65,269	\$ 138,178
Accounts receivable	45,497	-	45,497
Inventories	784	-	784
Prepays	826	-	826
Total current assets	120,016	65,269	185,285
Capital assets, net of accumulated depreciation	5,664	-	5,664
Total assets	125,680	65,269	190,949
Deferred outflows of resources			
Net deferred outflow of pension related resources	123,240	-	123,240
Total assets and deferred outflows of resources	248,920	65,269	314,189
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Accrued payroll liabilities	3,914	-	3,914
Compensated absences	8,692	-	8,692
Net pension liability	229,062	-	229,062
Total liabilities	241,668	-	241,668
Deferred inflows of resources			
Net deferred inflow of pension related resources	19,794	-	19,794
Total liabilities and deferred inflows of resources	261,462	-	261,462
NET POSITION			
Net investment in capital assets	5,664	-	5,664
Unrestricted	(18,206)	65,269	47,063
Total net position	\$ (12,542)	\$ 65,269	\$ 52,727

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, 2017

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund	Total
Operating revenues			
Charges for services	\$ 360,197	\$ 28,578	\$ 388,775
Operating expenses			
Support services	602,085	22,856	624,941
Facilities acquisition and construction	373	-	373
Total operating expenses	602,458	22,856	625,314
Operating income (loss)	(242,261)	5,722	(236,539)
Nonoperating revenues (expenses)			
Other income	1,323	63	1,386
Income (loss) before contributions and transfers	(240,938)	5,785	(235,153)
Transfers out	(3,166)	-	(3,166)
Change in net position	(244,104)	5,785	(238,319)
Total net position - beginning	231,562	59,484	291,046
Total net position - ending	\$ (12,542)	\$ 65,269	\$ 52,727

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, 2017

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 316,081	\$ 28,578	\$ 344,659
Cash payments to employees	(179,540)	-	(179,540)
Cash payments to suppliers	<u>(345,911)</u>	<u>(22,856)</u>	<u>(368,767)</u>
Net cash provided (used) by operating activities	<u>(209,370)</u>	<u>5,722</u>	<u>(203,648)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(3,166)	-	(3,166)
Other income	<u>1,323</u>	<u>63</u>	<u>1,386</u>
Net cash provided (used) by noncapital financing activities	<u>(1,843)</u>	<u>63</u>	<u>(1,780)</u>
Net increase (decrease) in cash and cash equivalents	(211,213)	5,785	(205,428)
Cash and cash equivalents - beginning	<u>284,122</u>	<u>59,484</u>	<u>343,606</u>
Cash and cash equivalents - ending	<u>\$ 72,909</u>	<u>\$ 65,269</u>	<u>\$ 138,178</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (242,261)	\$ 5,722	\$ (236,539)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	373	-	373
(Increase) decrease in:			
Receivables	(44,116)	-	(44,116)
Prepays	39,559	-	39,559
Net pension asset/liability	144,568	-	144,568
Deferred outflows of resources	(103,054)	-	(103,054)
Increase (decrease) in:			
Accounts payable	(7)	-	(7)
Deferred inflows of resources	<u>(4,432)</u>	<u>-</u>	<u>(4,432)</u>
Net cash provided (used) by operating activities	<u>\$ (209,370)</u>	<u>\$ 5,722</u>	<u>\$ (203,648)</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, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>1,054,137</u>
LIABILITIES	
Interfund payable	\$ 815,850
Due to others	<u>238,287</u>
Total liabilities	<u>\$ 1,054,137</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, 2017

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 a six-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, 2017

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 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.

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.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 among 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.

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.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 amounts 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.

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.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital Assets (Continued)

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, 2017

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 one item that qualifies for reporting in this category, which is deferred amounts related to pensions. These amounts are deferred and recognized as outflows of resources when the District recognizes pension expenses/expenditures. Deferred outflows of amounts related to pensions 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 two items that qualify for reporting in this category, which are unavailable revenue from property taxes and deferred amounts related to pensions. Unavailable revenue from property taxes is deferred and recognized as an inflow of resources in the period that the amount becomes available. Unavailable revenue from property taxes is reported in the balance sheet. Deferred amounts related to pensions are deferred and recognized as inflows of resources in the period when the District recognizes pension income. Deferred inflows of amounts related to pensions 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.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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, 2017

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 was one adopted supplemental budget. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original and supplemental 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, 2017:

Fund	Function	Appropriations	Expenditures	Excess
General	Support services	\$ 5,249,095	\$ 5,272,613	\$ 23,518
General	Transfers out	6,000,000	6,024,282	24,282
Internal Service	Support services	21,376	22,856	1,480

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

C. Budget Committee Meeting Not Properly Documented

ORS 294.401 requires two notices of budget committee meeting to be published five to thirty days prior to the scheduled budget committee meeting. The District did not have adequate documentation to show that the information published on the District's website contained enough detail regarding the date of budget committee meeting or the date it was posted.

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. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, 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, 2017

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

A. Deposits and Investments (Continued)

Investments

As of June 30, 2017, the District had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 189,024

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, 2017

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, 2017, the District had deposits of \$250,000 insured by the FDIC and \$1,552,185 covered by the PFCP.

Deposits

The District's deposits and investments at June 30, 2017 are as follows:

Cash on hand	\$ 3,000
Checking accounts	78,017
Total investments	<u>189,024</u>
Total deposits and investments	<u>\$ 270,041</u>

Deposits and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 784,169
Special Revenue Fund (book overdraft)	(652,306)
Internal Service Fund	<u>65,269</u>
Total governmental activities - unrestricted	197,132
Business-type activities - unrestricted	
Enterprise Fund	<u>72,909</u>
Total cash and investments	<u>\$ 270,041</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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

B. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 70,150	\$ -	\$ -	\$ 70,150
Capital assets being depreciated				
Buildings and improvements	2,919,217	-	-	2,919,217
Equipment	977,839	55,431	30,000	1,003,270
Vehicles	<u>30,162</u>	<u>29,956</u>	<u>-</u>	<u>60,118</u>
Total capital assets being depreciated	<u>3,927,218</u>	<u>85,387</u>	<u>30,000</u>	<u>3,982,605</u>
Less accumulated depreciation for				
Buildings and improvements	(776,022)	(72,981)	-	(849,003)
Equipment	(790,349)	(145,326)	(30,000)	(905,675)
Vehicles	<u>(17,203)</u>	<u>(6,033)</u>	<u>-</u>	<u>(23,236)</u>
Total accumulated depreciation	<u>(1,583,574)</u>	<u>(224,340)</u>	<u>(30,000)</u>	<u>(1,777,914)</u>
Total capital assets being depreciated, net	<u>2,343,644</u>	<u>(138,953)</u>	<u>-</u>	<u>2,204,691</u>
Governmental activities capital assets, net	<u>\$ 2,413,794</u>	<u>\$ (138,953)</u>	<u>\$ -</u>	<u>\$ 2,274,841</u>
Business-type activities				
Capital assets being depreciated				
Equipment	\$ 97,458	\$ -	\$ 5,576	\$ 91,882
Less accumulated depreciation for				
Equipment	<u>(91,421)</u>	<u>(373)</u>	<u>(5,576)</u>	<u>(86,218)</u>
Business-type activities capital assets, net	<u>\$ 6,037</u>	<u>\$ (373)</u>	<u>\$ -</u>	<u>\$ 5,664</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 70,150	\$ -	\$ 70,150
Buildings and improvements	2,919,217	(849,003)	2,070,214
Equipment	1,003,270	(905,675)	97,595
Vehicles	60,118	(23,236)	36,882
Total governmental activities capital assets	4,052,755	(1,777,914)	2,274,841
Business-type activities			
Equipment	91,882	(86,218)	5,664
Total capital assets	\$ 4,144,637	\$ (1,864,132)	\$ 2,280,505

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	\$ 224,340
Business-type activities	
Unallocated depreciation	\$ 373

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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>		<u>Fiduciary Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>		
Transfers out:				
Governmental activities				
General Fund	\$ -	\$ 50,000	\$ 5,974,282	\$ 6,024,282
Business-type activities				
Enterprise Fund	3,166	-	-	3,166
Agency Fund	<u>5,839,425</u>	<u>-</u>	<u>-</u>	<u>5,839,425</u>
Total	<u>\$ 5,842,591</u>	<u>\$ 50,000</u>	<u>\$ 5,974,282</u>	<u>\$ 11,866,873</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>\$ -</u>	<u>\$ 62,638</u>
Business-type activities				
Compensated absences	<u>\$ 8,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,692</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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

D. Compensated Absences (Continued)

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.

E. Operating Leases

The District leases two postage meters under noncancelable operating leases. During the year ended June 30, 2017, total payments for these leases amounted to \$1,991. The District will enter into a new lease agreement in the next fiscal year.

F. Long-Term Liabilities

1. Changes in Long-Term Liabilities

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

	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities							
Copier lease	3.15%	\$ 59,491	\$ 14,729	\$ -	\$ 12,593	\$ 2,136	\$ 2,136
Copier lease	0.00%	<u>4,496</u>	<u>3,846</u>	<u>-</u>	<u>899</u>	<u>2,947</u>	<u>899</u>
Total governmental activities		<u>\$ 63,987</u>	<u>\$ 18,575</u>	<u>\$ -</u>	<u>\$ 13,492</u>	<u>\$ 5,083</u>	<u>\$ 3,035</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.

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%. Principal and interest payments of \$74.93 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, 2017

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

F. Long-Term Liabilities (Continued)

2. Capital Leases (Continued)

c. Leased Capital Assets

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

Governmental activities	
Equipment	\$ 63,987
Less: accumulated amortization	<u>(60,072)</u>
Net value	<u>\$ 3,915</u>

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

3. Future Maturities of Long-Term Liabilities

Year Ending <u>June 30</u>	Leases		
	Principal	Interest	Total
2018	\$ 3,035	\$ 9	\$ 3,044
2019	899	-	899
2020	899	-	899
2021	<u>250</u>	<u>-</u>	<u>250</u>
Total	<u>\$ 5,083</u>	<u>\$ 9</u>	<u>\$ 5,092</u>

IV. 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, 2017

IV. OTHER INFORMATION (Continued)

B. Pension Plan

1. 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>.

2. Benefits Provided

a. 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, 2017

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided

a. 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, 2017

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

b. 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.

c. 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, 2017

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

c. OPSRP Individual Account Program (IAP) (Continued)

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.

3. 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, 2013 actuarial valuation, which became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 were \$860,524, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2017 were 22.33% for Tier One/Tier Two general service members, 17.64% 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, 2017

IV. OTHER INFORMATION (Continued)

C. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$10,892,869 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.0726%, which decreased from its proportion of 0.0847% measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense (income) of \$877,522. At June 30, 2017, 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	\$ 360,384	\$ -
Changes of assumptions	2,323,187	-
Net difference between projected and actual earnings on investments	2,151,974	-
Changes in proportion	-	882,598
Differences between employer contributions and proportionate share of contributions	<u>164,489</u>	<u>58,689</u>
Total (prior to post measurement date contributions)	5,000,034	941,287
Contributions subsequent to the measurement date	<u>860,524</u>	<u>-</u>
Total	<u>\$ 5,860,558</u>	<u>\$ 941,287</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

C. 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:

<u>Amortization Period Ending June 30</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2018	\$ 1,769,022	\$ 239,841
2019	908,498	239,841
2020	1,701,908	234,305
2021	1,294,537	181,668
2022	186,593	45,632
	\$ 5,860,558	\$ 941,287

D. Actuarial Assumptions

The employer contribution rates effective July 1, 2013 through June 30, 2015, and effective July 1, 2015 through June 30, 2017, 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), (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), (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, 2017

IV. OTHER INFORMATION (Continued)

D. Actuarial Assumptions (Continued)

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Assumptions:	
Inflation Rate	2.50% (reduced from 2.75%)
Long-Term Expected Rate of Return ¹	7.50% (reduced from 7.75%)
Discount Rate	7.50% (reduced from 7.75%)
Projected Salary Increases	3.50% (reduced from 3.75%)
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25% / 0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

¹ At its September 25, 2015 meeting, the Public Employees Retirement System Board reduced the assumed rate of return on investments from 7.75% to 7.50%.

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, 2017

IV. OTHER INFORMATION (Continued)

E. 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, 2017

IV. OTHER INFORMATION (Continued)

E. 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 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, 2017

IV. OTHER INFORMATION (Continued)

F. 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 PERS:

- 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 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.

G. 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, 2017

IV. OTHER INFORMATION (Continued)

H. 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)	\$ 17,588,351	\$ 10,892,869	\$ 5,296,617

I. Pension Plan Net Position

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

J. Changes in Plan Provisions During the Measurement Period

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.

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.

K. Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2016 measurement date.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

L. Concentrations

1. Collective Bargaining Agreements

At June 30, 2017, the District had a total of approximately 109 employees. Of this total, approximately 90% are covered under collective bargaining agreements and 42% are licensed staff represented by a union. The current agreement was signed on September 13, 2016 and will expire on June 30, 2018. Approximately 48% 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.

M. Commitments

The District made a loan to Reedsport School District subsequent to year-end in order to cover necessary expenses. The loan amount of \$300,000 was issued and subsequently paid back. At the time this report was prepared, the District did not have an outstanding balance due from the school district.

N. 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. 85, *Omnibus 2017*, will be effective for the District beginning with its fiscal year ending June 30, 2018. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will be effective for the District beginning with its fiscal year ending June 30, 2018. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

IV. OTHER INFORMATION (Continued)

N. New Pronouncements (Continued)

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.

O. Subsequent Events

Management has evaluated subsequent events through December 21, 2017, 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 position liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
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.

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
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.

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES			
Local revenue	\$ 6,400,662	\$ 6,499,617	\$ (33,374)
State revenue	<u>2,001,466</u>	<u>2,001,466</u>	<u>(337,449)</u>
Total revenues	<u>8,402,128</u>	<u>8,501,083</u>	<u>(370,823)</u>
EXPENDITURES			
Current			
Instruction	2,793,819	2,793,819	(519,471)
Support services	5,249,095	5,249,095	23,518
Contingency	<u>328,122</u>	<u>328,122</u>	<u>(328,122)</u>
Total expenditures	<u>8,371,036</u>	<u>8,371,036</u>	<u>(824,075)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,092</u>	<u>130,047</u>	<u>453,252</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,854,211	6,054,211	(211,620)
Transfers out	(5,901,045)	(6,000,000)	24,282
Apportionment of funds by ESD	<u>(1,000,000)</u>	<u>(1,200,000)</u>	<u>(347,077)</u>
Total other financing sources (uses)	<u>(1,046,834)</u>	<u>(1,145,789)</u>	<u>111,175</u>
Net change in fund balance	(1,015,742)	(1,015,742)	564,427
Fund balance - beginning	<u>1,415,742</u>	<u>1,415,742</u>	<u>302,873</u>
Fund balance - ending	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 867,300</u>

Budget Basis	Actual	
	Adjustments	GAAP Basis
\$ 6,466,243	\$ -	\$ 6,466,243
<u>1,664,017</u>	<u>-</u>	<u>1,664,017</u>
<u>8,130,260</u>	<u>-</u>	<u>8,130,260</u>
2,274,348	-	2,274,348
5,272,613	-	5,272,613
<u>-</u>	<u>-</u>	<u>-</u>
<u>7,546,961</u>	<u>-</u>	<u>7,546,961</u>
<u>583,299</u>	<u>-</u>	<u>583,299</u>
5,842,591	-	5,842,591
(6,024,282)	-	(6,024,282)
<u>(852,923)</u>	<u>-</u>	<u>(852,923)</u>
<u>(1,034,614)</u>	<u>-</u>	<u>(1,034,614)</u>
(451,315)	-	(451,315)
<u>1,718,615</u>	<u>-</u>	<u>1,718,615</u>
<u>\$ 1,267,300</u>	<u>\$ -</u>	<u>\$ 1,267,300</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Local revenue	\$ 182,523	\$ 78,347	\$ 260,870	\$ -	\$ 260,870
Intermediate revenue	2,554,228	(90,973)	2,463,255	-	2,463,255
State revenue	445,688	74,393	520,081	-	520,081
Federal revenue	<u>742,359</u>	<u>(168,671)</u>	<u>573,688</u>	<u>-</u>	<u>573,688</u>
Total revenues	<u>3,924,798</u>	<u>(106,904)</u>	<u>3,817,894</u>	<u>-</u>	<u>3,817,894</u>
EXPENDITURES					
Current					
Instruction	2,936,855	(309,086)	2,627,769	-	2,627,769
Support services	1,656,903	(591,491)	1,065,412	-	1,065,412
Contingency	<u>145,000</u>	<u>(145,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>4,738,758</u>	<u>(1,045,577)</u>	<u>3,693,181</u>	<u>-</u>	<u>3,693,181</u>
Excess (deficiency) of revenues over (under) expenditures	(813,960)	938,673	124,713	-	124,713
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net change in fund balance	(763,960)	938,673	174,713	-	174,713
Fund balance - beginning	<u>763,960</u>	<u>96,303</u>	<u>860,263</u>	<u>-</u>	<u>860,263</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,034,976</u>	<u>\$ 1,034,976</u>	<u>\$ -</u>	<u>\$ 1,034,976</u>

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Local revenue	<u>\$ 490,622</u>	<u>\$ (129,102)</u>	<u>\$ 361,520</u>	<u>\$ -</u>	<u>\$ 361,520</u>
EXPENSES					
Current					
Support services	652,500	(87,500)	565,000	37,085	602,085
Facilities acquisition and construction	-	-	-	373	373
Contingency	<u>161,087</u>	<u>(161,087)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>813,587</u>	<u>(248,587)</u>	<u>565,000</u>	<u>37,458</u>	<u>602,458</u>
Excess (deficiency) of revenues over (under) expenses	(322,965)	119,485	(203,480)	(37,458)	(240,938)
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(3,166)</u>	<u>-</u>	<u>(3,166)</u>	<u>-</u>	<u>(3,166)</u>
Net change in fund balance	(326,131)	119,485	(206,646)	(37,458)	(244,104)
Net position - beginning	<u>326,131</u>	<u>(4,918)</u>	<u>321,213</u>	<u>(89,651)</u>	<u>231,562</u>
Net position - ending	<u>\$ -</u>	<u>\$ 114,567</u>	<u>\$ 114,567</u>	<u>\$ (127,109)</u>	<u>\$ (12,542)</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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Local revenue	\$ 15,000	\$ 13,641	\$ 28,641	\$ -	\$ 28,641
EXPENSES					
Current					
Support services	21,376	1,480	22,856	-	22,856
Contingency	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>51,376</u>	<u>(28,520)</u>	<u>22,856</u>	<u>-</u>	<u>22,856</u>
Excess (deficiency) of revenues over (under) expenses	(36,376)	42,161	5,785	-	5,785
Net position - beginning	<u>36,376</u>	<u>23,108</u>	<u>59,484</u>	<u>-</u>	<u>59,484</u>
Net position - ending	<u>\$ -</u>	<u>\$ 65,269</u>	<u>\$ 65,269</u>	<u>\$ -</u>	<u>\$ 65,269</u>

OTHER FINANCIAL SCHEDULES

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

REVENUE SUMMARY - ALL FUNDS

June 30, 2017

	Fund 100	Fund 200	Fund 500
Revenue from Local Sources			
1110 Ad Valorem Taxes Levied by District	\$ 3,521,099	\$ -	\$ -
1200 Revenue from Local Governmental Units Other Than Districts	-	2,933	841
1500 Earnings on Investments	39,817	-	-
1910 Rentals	765	-	-
1940 Services Provided Other Local Education Agencies	1,744,029	49,546	360,197
1950 Textbook Sales and Rentals	-	11	-
1960 Recovery of Prior Years' Expenditure	129	-	-
1970 Services Provided Other Funds	828,074	7,998	-
1990 Miscellaneous	332,330	200,382	482
Total Revenue from Local Sources	\$ 6,466,243	\$ 260,870	\$ 361,520
Revenue from Intermediate Sources			
2200 Restricted Revenue	\$ -	\$ 2,463,255	\$ -
Total Revenue from Intermediate Sources	\$ -	\$ 2,463,255	\$ -
Revenue from State Sources			
3101 State School Fund - General Support	\$ 1,664,017	\$ -	\$ -
3299 Other Restricted Grants-in-Aid	-	520,081	-
Total Revenue from State Sources	\$ 1,664,017	\$ 520,081	\$ -
Revenue from Federal Sources			
4500 Restricted Revenue From the Federal Government Through the State	\$ -	\$ 573,688	\$ -
Total Revenue from Federal Sources	\$ -	\$ 573,688	\$ -
Revenue from Other Sources			
5200 Interfund Transfers	\$ 5,842,591	\$ 50,000	\$ -
5400 Resources - Beginning Fund Balance	1,718,615	860,263	321,213
Total Revenue from Other Sources	\$ 7,561,206	\$ 910,263	\$ 321,213
Grand Totals	\$ 15,691,466	\$ 4,728,157	\$ 682,733

Fund 600	Fund 700
\$ -	\$ -
-	-
-	1,540
-	-
-	-
-	-
28,578	-
63	-
\$ 28,641	\$ 1,540

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

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

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

Fund 600	Fund 700
\$ -	\$ 5,974,282
59,484	101,890
\$ 59,484	\$ 6,076,172

\$ 88,125	\$ 6,077,712
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SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - GENERAL FUND

June 30, 2017

Instruction Expenditures

	Totals	Object 100	Object 200
1220 Restrictive Programs for Students with Disabilities	\$ 2,176,993	1,135,252	\$ 714,097
1260 Treatment and Habilitation	97,355	49,118	27,825
Total Instruction Expenditures	\$ 2,274,348	\$ 1,184,370	\$ 741,922

Support Services Expenditures

	Totals	Object 100	Object 200
2110 Attendance and Social Work Services	\$ 23,353	\$ 16,789	\$ 4,758
2120 Guidance Services	51,437	29,841	15,385
2130 Health Services	1,018,235	244,492	147,951
2140 Psychological Services	353,020	202,482	108,405
2150 Speech Pathology and Audiology Services	837,912	494,205	277,147
2160 Other Student Treatment Services	912,023	519,426	283,770
2190 Service Direction, Student Support Services	22,056	13,195	6,673
2210 Improvement of Instruction Services	33,000	18,387	10,144
2310 Board of Education Services	60,659	2,882	1,831
2320 Executive Administration Services	195,479	93,585	73,822
2490 Other Support Services - School Administration	39,949	27,651	9,148
2510 Direction of Business Support Services	17	-	-
2520 Fiscal Services	602,470	252,030	126,913
2540 Operation and Maintenance of Plant Services	280,217	93,787	49,694
2640 Staff Services	101,972	51,519	25,922
2660 Technology Services	740,814	193,651	84,276
Total Support Services Expenditures	\$ 5,272,613	\$ 2,253,922	\$ 1,225,839

Other Uses Expenditures

	Totals	Object 100	Object 200
5200 Transfers of Funds	\$ 6,024,282	\$ -	\$ -
5300 Apportionment of Funds by ESD	852,923	-	-
Total Other Uses Expenditures	\$ 6,877,205	\$ -	\$ -

Grand Total

\$ 14,424,166	\$ 3,438,292	\$ 1,967,761
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Object 300	Object 400	Object 500	Object 600	Object 700
\$ 119,276	\$ 78,816	\$ -	\$ 129,552	\$ -
15,675	100	-	4,637	-
\$ 134,951	\$ 78,916	\$ -	\$ 134,189	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 694	\$ -	\$ -	\$ 1,112	\$ -
3,762	-	-	2,449	-
561,465	14,557	-	49,770	-
19,010	4,870	-	18,253	-
13,422	12,638	-	40,500	-
34,315	28,316	-	46,196	-
1,138	-	-	1,050	-
109	2,788	-	1,572	-
51,631	4,315	-	-	-
13,486	2,967	-	11,619	-
1,136	112	-	1,902	-
-	17	-	-	-
207,550	6,641	-	9,336	-
74,385	11,093	-	51,258	-
17,037	5,326	-	2,168	-
389,649	28,140	18,397	26,701	-
\$ 1,388,789	\$ 121,780	\$ 18,397	\$ 263,886	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ -	\$ -	\$ -	\$ -	\$ 6,024,282
-	-	-	-	852,923
\$ -	\$ -	\$ -	\$ -	\$ 6,877,205
\$ 1,523,740	\$ 200,696	\$ 18,397	\$ 398,075	\$ 6,877,205

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - SPECIAL REVENUE FUND

June 30, 2017

Instruction Expenditures

	Totals	Object 100	Object 200
1250 Less Restrictive Programs for Students with Disabilities	\$ 459,367	\$ 221,225	\$ 142,446
1260 Treatment and Habilitation	1,804,828	887,213	461,422
1299 Other Programs	363,574	116,641	67,740
Total Instruction Expenditures	\$ 2,627,769	\$ 1,225,079	\$ 671,608

Support Services Expenditures

	Totals	Object 100	Object 200
2110 Attendance and Social Work Services	\$ 600	\$ -	\$ -
2130 Health Services	14,483	6,301	3,895
2150 Speech Pathology and Audiology Services	32,455	-	1,505
2160 Other Student Treatment Services	214,977	111,219	61,540
2210 Improvement of Instruction Services	278,064	64,247	33,285
2240 Instructional Staff Development	511,279	113,081	36,663
2540 Operation and Maintenance of Plant Services	7,349	-	-
2640 Staff Services	6,205	-	-
Total Support Services Expenditures	\$ 1,065,412	\$ 294,848	\$ 136,888

Grand Total

Grand Total	\$ 3,693,181	\$ 1,519,927	\$ 808,496
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Object 300	Object 400	Object 500	Object 600
\$ 26,548	\$ 31,516	\$ -	\$ 37,632
215,486	61,401	30,331	148,975
35,623	128,883	-	14,687
\$ 277,657	\$ 221,800	\$ 30,331	\$ 201,294

Object 300	Object 400	Object 500	Object 600
\$ -	\$ 600	\$ -	\$ -
89	4,198	-	-
4,941	5,709	18,247	2,053
9,954	15,063	-	17,201
69,381	100,587	-	10,564
133,939	208,809	-	18,787
7,349	-	-	-
5,049	1,156	-	-
\$ 230,702	\$ 336,122	\$ 18,247	\$ 48,605
\$ 508,359	\$ 557,922	\$ 48,578	\$ 249,899

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - ENTERPRISE FUND

June 30, 2017

Support Services Expenditures

2150 Speech Pathology and Audiology Services
2660 Technology Services

Total Support Services Expenditures

Totals	Object 100	Object 200
\$ 7,044	\$ -	\$ -
557,956	128,184	51,357
\$ 565,000	\$ 128,184	\$ 51,357

Other Uses Expenditures

5200 Transfers of Funds

Total Other Uses Expenditures

Totals	Object 100	Object 200
\$ 3,166	\$ -	\$ -
\$ 3,166	\$ -	\$ -

Grand Total

\$ 568,166	\$ 128,184	\$ 51,357
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Object 300	Object 400	Object 600	Object 700
\$ -	\$ 6,640	\$ 404	\$ -
344,179	11,190	23,046	-
\$ 344,179	\$ 17,830	\$ 23,450	\$ -

Object 300	Object 400	Object 600	Object 700
\$ -	\$ -	\$ -	\$ 3,166
\$ -	\$ -	\$ -	\$ 3,166
\$ 344,179	\$ 17,830	\$ 23,450	\$ 3,166

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - INTERNAL SERVICE FUND

June 30, 2017

Support Services Expenditures

2570 Internal Services

Total Support Services Expenditures

Grand Total

Totals	Object 300	Object 400
\$ 22,856	\$ 20,619	\$ 2,237
\$ 22,856	\$ 20,619	\$ 2,237
\$ 22,856	\$ 20,619	\$ 2,237

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - FIDUCIARY FUND

June 30, 2017

Other Uses Expenditures
5200 Transfers of Funds

	Totals	Object 700
	\$ 5,839,425	\$ 5,839,425
Total Other Uses Expenditures	\$ 5,839,425	\$ 5,839,425
Grand Total	\$ 5,839,425	\$ 5,839,425

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2017

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2016</u>	<u>2016-2017 Levy</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2017</u>
Coos County					
2016-2017	\$ -	\$ 2,176,801	\$ (61,533)	\$ 2,022,427	\$ 92,841
2015-2016	96,398	-	(253)	38,493	57,652
2014-2015	50,768	-	(1,626)	16,188	32,954
2013-2014	31,384	-	(150)	16,528	14,706
2012-2013	12,195	-	(155)	8,783	3,257
2011-2012	2,917	-	(138)	762	2,017
2010-2011	1,813	-	(119)	268	1,426
Prior	<u>4,172</u>	<u>-</u>	<u>(1)</u>	<u>103</u>	<u>4,068</u>
Subtotal - Prior	<u>199,647</u>	<u>-</u>	<u>(2,442)</u>	<u>81,125</u>	<u>116,080</u>
Total Coos County	<u>199,647</u>	<u>2,176,801</u>	<u>(63,975)</u>	<u>2,103,552</u>	<u>208,921</u>
Curry County					
2016-2017	-	1,257,439	(31,221)	1,177,970	48,248
2015-2016	46,266	-	(161)	20,858	25,247
2014-2015	25,748	-	(89)	7,379	18,280
2013-2014	16,412	-	(40)	7,319	9,053
2012-2013	8,649	-	(21)	3,300	5,328
2011-2012	4,662	-	(20)	93	4,549
2010-2011	3,258	-	(1)	63	3,194
Prior	<u>6,395</u>	<u>-</u>	<u>-</u>	<u>467</u>	<u>5,928</u>
Subtotal - Prior	<u>111,390</u>	<u>-</u>	<u>(332)</u>	<u>39,479</u>	<u>71,579</u>
Total Curry County	<u>111,390</u>	<u>1,257,439</u>	<u>(31,553)</u>	<u>1,217,449</u>	<u>119,827</u>

(Continued)

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2017

(Continued)

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2016</u>	<u>2016-2017 Levy</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2017</u>
Douglas County					
2016-2017	\$ -	\$ 198,077	\$ (7,176)	\$ 183,113	\$ 7,788
2015-2016	7,853	-	(64)	3,186	4,603
2014-2015	4,789	-	(67)	1,437	3,285
2013-2014	3,213	-	(64)	1,404	1,745
2012-2013	1,837	-	(62)	941	834
2011-2012	828	-	(38)	121	669
2010-2011	555	-	(20)	79	456
Prior	<u>802</u>	<u>-</u>	<u>(7)</u>	<u>89</u>	<u>706</u>
Subtotal - Prior	<u>19,877</u>	<u>-</u>	<u>(322)</u>	<u>7,257</u>	<u>12,298</u>
Total Douglas County	<u>19,877</u>	<u>198,077</u>	<u>(7,498)</u>	<u>190,370</u>	<u>20,086</u>
Total	<u>\$ 330,914</u>	<u>\$ 3,632,317</u>	<u>\$ (103,026)</u>	3,511,371	<u>\$ 348,834</u>
Add:					
Other taxes and interest				2,223	
Undistributed taxes with counties, July 1, 2016				<u>40,673</u>	
Total available				3,554,267	
Less: Turnovers to District				<u>(3,518,837)</u>	
Undistributed taxes with counties, June 30, 2017				<u>\$ 35,430</u>	

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

Federal Grantor, Pass through Grantor, Program Title	CFDA	Grant Period	Expenditures
<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	2014-2016	\$ 7,835
Carl Perkins	84.048	2014-2016	262,600
Youth Transition Program	84.126A	2015-2016	286,133
English Language Acquisition State Grants	84.365	2015-2017	<u>17,120</u>
Total federal expenditures			<u>\$ 573,688</u>

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



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

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, 2017, and have issued our report thereon dated December 21, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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

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, 2017:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	Support services	\$ 5,249,095	\$ 5,272,613	\$ 23,518
General	Transfers out	6,000,000	6,024,282	24,282
Internal Service	Support services	21,376	22,856	1,480

2. ORS 294.401 requires two notices of budget committee meeting to be published five to thirty days prior to the scheduled budget committee meeting. The District did not have adequate documentation to show that the information published on the District’s website contained enough detail regarding the date of budget committee meeting or the date it was posted.

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 21, 2017.

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

December 21, 2017

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2017

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	\$ 41,174
Function 2550	\$ –

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

\$	–
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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