

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

ANNUAL FINANCIAL REPORT

June 30, 2022



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

DISTRICT OFFICIALS

June 30, 2022

BOARD OF DIRECTORS

Billie Reeves, Chair
P.O. Box 1244
Bandon, Oregon 97411

Corinne Potts, Vice Chair
851 S. 5th Street
Coos Bay, Oregon 97420

Fred Brick
781 17th Avenue
Coos Bay, Oregon 97420

Jackie Crook
23710 Carpenterville Road
Brookings, Oregon 97415

Bruce Levy
P.O. Box 811
Port Orford, Oregon 97465

John Buckley
1120 Tower Street
North Bend, Oregon 97459

ADMINISTRATION

Paul Peterson, Superintendent
(Effective July 1, 2022)

Charis McGaughy, Interim Superintendent
(Resigned June 14, 2022)

Rachel Amos, Chief Financial Officer
(Effective October 3, 2022)

Jerod Nunn, Director of Finance
(Resigned June 30, 2022)

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

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FINANCIAL SECTION

KOONTZ, BLASQUEZ
ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the remaining fund information of South Coast Education Service District as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Coast Education Service District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

South Coast Education Service District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about South Coast Education Service District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 South Coast Education Service District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

The effects of applying the provisions of GASB Statement Nos. 84 and 87 have been reported as a restatement of beginning net position for the year ended June 30, 2022.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of pension and other postemployment benefits, and budgetary comparison information on pages 5 through 12, 62 through 66, and 67 through 68, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and schedules of pension and other postemployment benefits in accordance with GAAS, 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 or schedules of pension and other postemployment benefits because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Supplementary 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, supplemental information required by the Oregon Department of Education, and the schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 the schedule of expenditures of federal awards are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the individual fund schedules, revenue and expenditure summaries, and the 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.

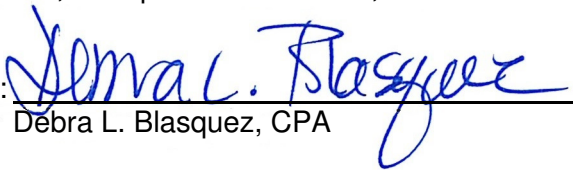
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022 on our consideration of South Coast Education Service District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Coast Education Service District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Coast Education Service District’s internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 29, 2022 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, Blasquez & Associates, P.C.

By: 
Debra L. Blasquez, CPA

Albany, Oregon
December 29, 2022

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, 2022. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2022, total net position of South Coast Education Service District amounted to \$(583,712). Of this amount, \$2,161,341 was invested in capital assets, net of related debt. The remaining balance included \$1,890,076 restricted for various purposes and \$(4,635,129) of unrestricted net position.
- At June 30, 2022, the District's governmental funds reported combined ending fund balances of \$3,186,874.

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 13 through 15 of this report.

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 two categories: governmental funds and proprietary funds.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

□ **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 four 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, as well as for the Debt Service Fund, which is considered to be a nonmajor governmental fund. No data is presented for the Capital Projects Fund for the year ended June 30, 2022, as there was no activity in the fund during the year.

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 16 through 20 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, internet service, and resources held for the benefit of school districts. The Enterprise Fund is considered to be a major proprietary fund.

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 21 through 24 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 25 through 61 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the proportionate share of the net OPEB liability (asset), schedule of contributions – other postemployment benefits, and budgetary comparison information for the General and Special Revenue Funds. This required supplementary information can be found on pages 62 through 68 of this report.

Individual fund schedules are presented immediately following the required supplementary information on pages 69 through 71 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, 2022, the District's liabilities exceeded its assets by \$583,712.

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 increased by \$1,245,175 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Assets and deferred outflows of resources						
Current assets	\$ 2,669,477	\$ 2,694,749	\$ 1,655,715	\$ 840,354	\$ 4,325,192	\$ 3,535,103
Restricted assets	1,935,437	1,848,836	-	-	1,935,437	1,848,836
Noncurrent assets	2,819,507	2,908,551	6,604	9,571	2,826,111	2,918,122
Deferred outflows of resources	<u>5,050,501</u>	<u>5,184,739</u>	<u>20,844</u>	<u>24,487</u>	<u>5,071,345</u>	<u>5,209,226</u>
Total assets and deferred outflows of resources	<u>12,474,922</u>	<u>12,636,875</u>	<u>1,683,163</u>	<u>874,412</u>	<u>14,158,085</u>	<u>13,511,287</u>
Liabilities and deferred inflows of resources						
Current liabilities	1,233,965	1,044,562	3,914	3,914	1,237,879	1,048,476
Noncurrent liabilities	7,762,551	13,399,584	30,140	60,701	7,792,691	13,460,285
Deferred inflows of resources	<u>5,686,914</u>	<u>827,505</u>	<u>24,313</u>	<u>3,908</u>	<u>5,711,227</u>	<u>831,413</u>
Total liabilities and deferred inflows of resources	<u>14,683,430</u>	<u>15,271,651</u>	<u>58,367</u>	<u>68,523</u>	<u>14,741,797</u>	<u>15,340,174</u>
Net position						
Net investment in capital assets	2,155,365	2,228,600	5,976	8,960	2,161,341	2,237,560
Restricted	1,890,076	936,128	-	-	1,890,076	936,128
Unrestricted	<u>(6,253,949)</u>	<u>(5,799,504)</u>	<u>1,618,820</u>	<u>796,929</u>	<u>(4,635,129)</u>	<u>(5,002,575)</u>
Total net position	<u>\$ (2,208,508)</u>	<u>\$ (2,634,776)</u>	<u>\$ 1,624,796</u>	<u>\$ 805,889</u>	<u>\$ (583,712)</u>	<u>\$ (1,828,887)</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

District's Changes in Net Position

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

Condensed Statement of Activities

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Program revenues						
Special programs	\$ 6,830,844	\$ 5,910,389	\$ -	\$ -	\$ 6,830,844	\$ 5,910,389
Student support services	2,187,393	2,339,174	-	-	2,187,393	2,339,174
Central activities support	<u>995,821</u>	<u>667,644</u>	<u>172,749</u>	<u>178,473</u>	<u>1,168,570</u>	<u>846,117</u>
Total program revenues	<u>10,014,058</u>	<u>8,917,207</u>	<u>172,749</u>	<u>178,473</u>	<u>10,186,807</u>	<u>9,095,680</u>
General revenues						
Property taxes - general	4,243,369	4,031,147	-	-	4,243,369	4,031,147
Unrestricted state and local revenue	2,331,580	2,902,679	-	-	2,331,580	2,902,679
Insurance proceeds	58,075	48,425	-	-	58,075	48,425
Investment earnings	42,015	37,989	157	-	42,172	37,989
Miscellaneous	<u>121,599</u>	<u>234,172</u>	<u>340</u>	<u>-</u>	<u>121,939</u>	<u>234,172</u>
Total general revenues	<u>6,796,638</u>	<u>7,254,412</u>	<u>497</u>	<u>-</u>	<u>6,797,135</u>	<u>7,254,412</u>
Total revenues	<u>16,810,696</u>	<u>16,171,619</u>	<u>173,246</u>	<u>178,473</u>	<u>16,983,942</u>	<u>16,350,092</u>
Program expenses						
Special programs	7,269,215	7,109,467	-	-	7,269,215	7,109,467
Student support services	4,084,087	3,615,871	-	6	4,084,087	3,615,877
Instructional staff support	1,579,237	1,302,355	-	-	1,579,237	1,302,355
General administrative support	60,287	889,312	-	-	60,287	889,312
School administration	(10,589)	79,390	-	-	(10,589)	79,390
Business support services	623,997	1,138,771	-	-	623,997	1,138,771
Central activities support	907,629	727,519	162,844	188,169	1,070,473	915,688
Enterprise and community services	167,987	144,735	-	-	167,987	144,735
Apportionment of funds by ESD	651,191	1,827,870	-	-	651,191	1,827,870
Unallocated depreciation and amortization expense	223,419	208,015	2,984	2,984	226,403	210,999
Interest on long-term debt	<u>16,479</u>	<u>16,978</u>	<u>-</u>	<u>-</u>	<u>16,479</u>	<u>16,978</u>
Total program expenses	<u>15,572,939</u>	<u>17,060,283</u>	<u>165,828</u>	<u>191,159</u>	<u>15,738,767</u>	<u>17,251,442</u>
Transfers	<u>(811,489)</u>	<u>549,331</u>	<u>811,489</u>	<u>-</u>	<u>-</u>	<u>549,331</u>
Change in net position	426,268	(339,333)	818,907	(12,686)	1,245,175	(352,019)
Net position - beginning of year, as restated	<u>(2,634,776)</u>	<u>(2,295,443)</u>	<u>805,889</u>	<u>818,575</u>	<u>(1,828,887)</u>	<u>(1,476,868)</u>
Net position - end of year	<u>\$ (2,208,508)</u>	<u>\$ (2,634,776)</u>	<u>\$ 1,624,796</u>	<u>\$ 805,889</u>	<u>\$ (583,712)</u>	<u>\$ (1,828,887)</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

At the end of the current fiscal year, the District's major governmental funds reported combined fund balances of \$3,181,704, a decrease of \$96,730 from the prior year. This amount included \$78,969 of nonspendable amounts related to prepaid expenses and \$1,884,906 restricted for special programs. The remaining \$1,217,829 constitutes unassigned fund balance available for spending at the District's discretion.

Significant Changes in Major Governmental Fund Balances

General Fund

- Nonspendable fund balance increased by 70.4% due to an increase in prepaid expenses.
- Unassigned fund balance decreased by 47.1% due to finalized bargaining unit changes, increased costs of services and supplies related to steep inflation, and market adjustments to salaries for incoming administrators.

Special Revenue Fund

- Restricted fund balance increased by 102.3% due to pandemic-related revenue and carryover from year one of biennial funds.

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 \$1,641,232. Of this amount, \$5,976 was invested in capital assets and the remaining amount of \$1,635,256 was unrestricted.

Significant Changes in Proprietary Fund Net Position

Enterprise Fund

- Net position invested in capital assets decreased by 33.3% due to assets being fully depreciated.
- Unrestricted net position increased by 103.1% due to transfers related to activities for school districts.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUDGETARY HIGHLIGHTS: GENERAL FUND

Significant variances between budgeted and actual amounts in the General Fund for the year ended June 30, 2022 include:

- Transfers in were budgeted for \$8,557,494. Actual transfers in were \$5,927,032 (30.7% under budget) due to a decrease in Tier 2 services purchased.
- Apportionment of funds by ESD was budgeted for \$2,500,000. Actual apportionment of funds was \$651,191 (74% under budget) due to changes in staffing levels and costs covered by one-time special revenue in lieu of General Fund dollars.

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, 2022 amounted to \$2,658,843 and \$5,976, net of accumulated depreciation, respectively. This investment in capital assets includes land, construction in progress, buildings and improvements, equipment, and vehicles. The total depreciation related to the District's investment in capital assets for its governmental and business-type activities during the current fiscal year amounted to \$220,664 and \$2,984, respectively.

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

Long-Term Liabilities

At the end of the current fiscal year, the District had total long-term liabilities outstanding of \$517,253. This amount is comprised of two equipment leases payable, a loan, and three financed purchases. The District's total long-term liabilities outstanding decreased by \$41,792 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:

- State economic forecast has trended to the negative, and projections regarding legislative support are not expected to meet the current service level.
- Bargaining unit increases are higher than in prior years because of inflation impacts in the region.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Administrator resignations in the current year will likely lead to increased costs so as to draw exceptional candidates.

All of these factors were considered in preparing the District's budget for fiscal year 2022-2023. 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 \$1,217,829 will be available for program resources in fiscal year 2022-2023.

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 Chief Financial Officer, Rachel Amos, 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, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash and cash equivalents	\$ 2,299,634	\$ 1,529,757	\$ 3,829,391
Undistributed taxes with county	44,562	-	44,562
Property taxes receivable	246,312	-	246,312
Inventories	-	784	784
Prepays	78,969	125,174	204,143
Total current assets	2,669,477	1,655,715	4,325,192
Restricted assets			
Cash	5,170	-	5,170
Accounts receivable	1,930,267	-	1,930,267
Total restricted assets	1,935,437	-	1,935,437
Noncurrent assets			
Capital assets			
Land	70,150	-	70,150
Other capital assets, net of accumulated depreciation	2,588,693	5,976	2,594,669
Total capital assets	2,658,843	5,976	2,664,819
Right to use leased assets, net of accumulated amortization	13,712	-	13,712
Net OPEB asset	146,952	628	147,580
Total noncurrent assets	2,819,507	6,604	2,826,111
Total assets	7,424,421	1,662,319	9,086,740
Deferred outflows of resources			
Net deferred outflow of pension related resources	4,845,966	20,718	4,866,684
Net deferred outflow of OPEB related resources	204,535	126	204,661
Total deferred outflows of resources	5,050,501	20,844	5,071,345
Total assets and deferred outflows of resources	12,474,922	1,683,163	14,158,085

(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, 2022

(Continued)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accounts payable	\$ 16,696	\$ -	\$ 16,696
Accrued payroll liabilities	1,161,563	3,914	1,165,477
Compensated absences, current portion	12,257	-	12,257
Leases payable, current portion	3,245	-	3,245
Note payable, current portion	34,423	-	34,423
Financed purchases payable, current portion	5,781	-	5,781
Total current liabilities	1,233,965	3,914	1,237,879
Noncurrent liabilities			
Compensated absences, less current portion	34,885	-	34,885
Leases payable, less current portion	10,530	-	10,530
Note payable, less current portion	457,797	-	457,797
Financed purchases payable, less current portion	5,477	-	5,477
Net OPEB liability	204,118	-	204,118
Net pension liability	7,049,744	30,140	7,079,884
Total noncurrent liabilities	7,762,551	30,140	7,792,691
Total liabilities	8,996,516	34,054	9,030,570
Deferred inflows of resources			
Net deferred inflow of pension related resources	5,635,634	24,094	5,659,728
Net deferred inflow of OPEB related resources	51,280	219	51,499
Total deferred inflows of resources	5,686,914	24,313	5,711,227
Total liabilities and deferred inflows of resources	14,683,430	58,367	14,741,797
NET POSITION			
Net investment in capital assets	2,155,365	5,976	2,161,341
Restricted	1,890,076	-	1,890,076
Unrestricted	(6,253,949)	1,618,820	(4,635,129)
Total net position	\$ (2,208,508)	\$ 1,624,796	\$ (583,712)

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, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Special programs	\$ 7,269,215	\$ 3,817,201	\$ 3,013,643	\$ -
Student support services	4,084,087	2,187,393	-	-
Instructional staff support	1,579,237	-	-	-
General administrative support	60,287	-	-	-
School administration	(10,589)	-	-	-
Business support services	623,997	-	-	-
Central activities support	907,629	995,821	-	-
Enterprise and community services	167,987	-	-	-
Apportionment of funds by ESD	651,191	-	-	-
Unallocated depreciation and amortization expense	223,419	-	-	-
Interest on long-term debt	16,479	-	-	-
Total governmental activities	<u>\$ 15,572,939</u>	<u>\$ 7,000,415</u>	<u>\$ 3,013,643</u>	<u>\$ -</u>
Business-type activities				
Central activities support	\$ 162,844	\$ 172,749	\$ -	\$ -
Unallocated depreciation expense	2,984	-	-	-
Total business-type activities	<u>\$ 165,828</u>	<u>\$ 172,749</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Property taxes levied for general purposes				
Unrestricted state and local revenue				
Insurance proceeds				
Investment earnings				
Miscellaneous				
Total general revenues				
Transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (438,371)	\$ -	\$ (438,371)
(1,896,694)	-	(1,896,694)
(1,579,237)	-	(1,579,237)
(60,287)	-	(60,287)
10,589	-	10,589
(623,997)	-	(623,997)
88,192	-	88,192
(167,987)	-	(167,987)
(651,191)	-	(651,191)
(223,419)	-	(223,419)
<u>(16,479)</u>	<u>-</u>	<u>(16,479)</u>
<u>(5,558,881)</u>	<u>-</u>	<u>(5,558,881)</u>
-	9,905	9,905
<u>-</u>	<u>(2,984)</u>	<u>(2,984)</u>
<u>-</u>	<u>6,921</u>	<u>6,921</u>
4,243,369	-	4,243,369
2,331,580	-	2,331,580
58,075	-	58,075
42,015	157	42,172
<u>121,599</u>	<u>340</u>	<u>121,939</u>
<u>6,796,638</u>	<u>497</u>	<u>6,797,135</u>
<u>(811,489)</u>	<u>811,489</u>	<u>-</u>
426,268	818,907	1,245,175
<u>(2,634,776)</u>	<u>805,889</u>	<u>(1,828,887)</u>
<u>\$ (2,208,508)</u>	<u>\$ 1,624,796</u>	<u>\$ (583,712)</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Special Revenue Fund	Nonmajor Governmental Fund Debt Service	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,327,701	\$ -	\$ 5,170	\$ 2,332,871
Undistributed taxes with county	44,562	-	-	44,562
Accounts receivable	-	1,930,267	-	1,930,267
Property taxes receivable	246,312	-	-	246,312
Prepays	78,969	-	-	78,969
 Total assets	 \$ 2,697,544	 \$ 1,930,267	 \$ 5,170	 \$ 4,632,981
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Book overdraft	\$ -	\$ 45,244	\$ -	\$ 45,244
Accounts payable	15,838	117	-	15,955
Accrued payroll liabilities	1,161,563	-	-	1,161,563
 Total liabilities	 1,177,401	 45,361	 -	 1,222,762
 Deferred inflows of resources				
Unavailable revenue - property taxes	223,345	-	-	223,345
 Fund balances				
Nonspendable	78,969	-	-	78,969
Restricted	-	1,884,906	5,170	1,890,076
Unassigned	1,217,829	-	-	1,217,829
 Total fund balances	 1,296,798	 1,884,906	 5,170	 3,186,874
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 2,697,544	 \$ 1,930,267	 \$ 5,170	 \$ 4,632,981

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, 2022

Total fund balances		\$ 3,186,874
Right to use leased assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Right to use leased assets	16,910	
Accumulated amortization	<u>(3,198)</u>	13,712
Capital assets are not financial resources and are therefore not reported in the governmental funds.		
Cost	5,342,369	
Accumulated depreciation and amortization	<u>(2,683,526)</u>	2,658,843
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.		
		223,345
The Internal Service Fund is used by management to charge the costs of copying and printing services to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities on the statement of net position.		
		16,436
Liabilities on 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	(47,142)	
Leases payable	(13,775)	
Note payable	(492,220)	
Financed purchases payable	<u>(11,258)</u>	(564,395)
Pension assets or liabilities, with related deferred outflows of resources and deferred inflows of resources, are not reported in the governmental funds, but are reported on the statement of net position. The amounts included in governmental activities on the statement of net position:		
Net pension liability	(7,049,744)	
Deferred outflows of pension related resources	4,845,966	
Deferred inflows of pension related resources	<u>(5,635,634)</u>	(7,839,412)

(Continued)

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, 2022

(Continued)

OPEB assets or liabilities, with related deferred outflows of resources and deferred inflows of resources, are not reported in the governmental funds, but are reported on the statement of net position. The amounts included in governmental activities on the statement of net position:

Net OPEB liability	\$ (57,166)	
Deferred outflows of OPEB related resources	204,535	
Deferred inflows of OPEB related resources	<u>(51,280)</u>	<u>96,089</u>
Net position of governmental activities		<u>\$ (2,208,508)</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, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Fund Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 4,277,570	\$ -	\$ -	\$ 4,277,570
Intergovernmental	2,331,580	2,888,600	-	5,220,180
Charges for services	3,953,862	3,022,560	-	6,976,422
Miscellaneous	<u>85,750</u>	<u>260,982</u>	-	<u>346,732</u>
 Total revenues	 <u>10,648,762</u>	 <u>6,172,142</u>	 <u>-</u>	 <u>16,820,904</u>
EXPENDITURES				
Current				
Instruction	3,435,908	3,823,922	-	7,259,830
Support services	6,008,205	1,952,464	-	7,960,669
Enterprise and community services	-	184,455	-	184,455
Debt service	<u>-</u>	<u>-</u>	<u>49,353</u>	<u>49,353</u>
 Total expenditures	 <u>9,444,113</u>	 <u>5,960,841</u>	 <u>49,353</u>	 <u>15,454,307</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>1,204,649</u>	 <u>211,301</u>	 <u>(49,353)</u>	 <u>1,366,597</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,927,033	742,000	50,000	6,719,033
Transfers out	(7,530,522)	-	-	(7,530,522)
Apportionment of funds by ESD	<u>(651,191)</u>	<u>-</u>	<u>-</u>	<u>(651,191)</u>
 Total other financing sources (uses)	 <u>(2,254,680)</u>	 <u>742,000</u>	 <u>50,000</u>	 <u>(1,462,680)</u>
 Net change in fund balances	 (1,050,031)	 953,301	 647	 (96,083)
 Fund balances - beginning	 <u>2,346,829</u>	 <u>931,605</u>	 <u>4,523</u>	 <u>3,282,957</u>
 Fund balances - ending	 <u>\$ 1,296,798</u>	 <u>\$ 1,884,906</u>	 <u>\$ 5,170</u>	 <u>\$ 3,186,874</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, 2022

Net change in fund balances		\$ (96,083)
Amounts reported for governmental activities on the statement of activities are different because:		
Governmental funds report right to use leased assets as expenditures; however, on the statement of activities, the costs of these assets are allocated over the terms of the leases and reported as amortization expense.		
Current year amortization		(2,755)
Governmental funds report capital outlay as expenditures; however, on the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense.		
Purchase of capital assets	100,333	
Less current year depreciation	<u>(220,664)</u>	(120,331)
Long-term debt proceeds are reported as other financing sources in the governmental funds. On 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 on the statement of net position.		
Lease liabilities issued	(7,948)	
Lease liability payments	7,948	
Debt principal paid	<u>49,740</u>	49,740
The Internal Service Fund is used by management to charge the costs of unemployment insurance premiums to individual funds. This activity is consolidated with the governmental funds on the statement of activities.		
		(2,326)
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. On the statement of activities, property taxes are recognized as revenue when levied.		
		(34,201)
Some expenses reported on the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.		
Severance contract	8,401	
Compensated absences	<u>1,459</u>	9,860
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.		
		631,705
Changes in the net OPEB assets and liabilities, as well as the related changes in deferred outflows and deferred inflows of resources, are not recognized as expenditures in the governmental funds.		
		<u>(9,341)</u>
Change in net position		\$ <u>426,268</u>

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

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2022

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash and cash equivalents	\$ 1,529,757	\$ 17,177	\$ 1,546,934
Inventories	784	-	784
Prepays	125,174	-	125,174
Total current assets	1,655,715	17,177	1,672,892
Noncurrent assets			
Capital assets, net of accumulated depreciation	5,976	-	5,976
Net OPEB asset	628	-	628
Total noncurrent assets	6,604	-	6,604
Total assets	1,662,319	17,177	1,679,496
Deferred outflows of resources			
Net deferred outflow of pension related resources	20,718	-	20,718
Net deferred outflow of OPEB related resources	126	-	126
Total deferred outflows of resources	20,844	-	20,844
Total assets and deferred outflows of resources	1,683,163	17,177	1,700,340

(Continued)

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

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2022

(Continued)

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund	Total
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accounts payable	\$ -	\$ 741	\$ 741
Accrued payroll liabilities	3,914	-	3,914
Total current liabilities	3,914	741	4,655
Noncurrent liabilities			
Net pension liability	30,140	-	30,140
Total liabilities	34,054	741	34,795
Deferred inflows of resources			
Net deferred inflow of pension related resources	24,094	-	24,094
Net deferred inflow of OPEB related resources	219	-	219
Total deferred inflows of resources	24,313	-	24,313
Total liabilities and deferred inflows of resources	58,367	741	59,108
NET POSITION			
Net investment in capital assets	5,976	-	5,976
Unrestricted	1,618,820	16,436	1,635,256
Total net position	\$ 1,624,796	\$ 16,436	\$ 1,641,232

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, 2022

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund	Total
Operating revenues			
Charges for services	\$ 172,749	\$ 23,993	\$ 196,742
Miscellaneous	340	-	340
Total operating revenues	173,089	23,993	197,082
Operating expenses			
Business support services	-	26,319	26,319
Central activities support	162,844	-	162,844
Facilities acquisition and construction	2,984	-	2,984
Total operating expenses	165,828	26,319	192,147
Operating income (loss)	7,261	(2,326)	4,935
Nonoperating revenues (expenses)			
Investment earnings	157	-	157
Income (loss) before transfers	7,418	(2,326)	5,092
Transfers in	6,738,522	-	6,738,522
Transfers out	(5,927,033)	-	(5,927,033)
Change in net position	818,907	(2,326)	816,581
Net position - beginning, as restated	805,889	18,762	824,651
Net position - ending	\$ 1,624,796	\$ 16,436	\$ 1,641,232

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, 2022

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 173,089	\$ 23,993	\$ 197,082
Cash payments to employees	(35,203)	-	(35,203)
Cash payments to suppliers	(195,338)	(25,578)	(220,916)
Net cash provided (used) by operating activities	(57,452)	(1,585)	(59,037)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	157	-	157
Net cash provided (used) by investing activities	157	-	157
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	6,738,522	-	6,738,522
Transfers to other funds	(5,927,033)	-	(5,927,033)
Net cash provided (used) by noncapital financing activities	811,489	-	811,489
Net increase (decrease) in cash and cash equivalents	754,194	(1,585)	752,609
Cash and cash equivalents - beginning, as restated	775,563	18,762	794,325
Cash and cash equivalents - ending	\$ 1,529,757	\$ 17,177	\$ 1,546,934
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 7,261	\$ (2,326)	\$ 4,935
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	2,984	-	2,984
(Increase) decrease in:			
Prepays	(61,167)	-	(61,167)
Net pension asset/liability	(30,561)	-	(30,561)
Net OPEB asset/liability	(17)	-	(17)
Deferred outflows of resources	3,643	-	3,643
Increase (decrease) in:			
Accounts payable	-	741	741
Deferred inflows of resources	20,405	-	20,405
Net cash provided (used) by operating activities	\$ (57,452)	\$ (1,585)	\$ (59,037)

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, 2022

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 seven-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 and proprietary funds. 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, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor governmental funds:

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources and payment of principal and interest on long-term debt. The primary source of revenue is transfers from other funds.

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

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.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following proprietary fund:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers between the governmental funds and proprietary 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, 2022

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 accounts has been established as management deems all receivables collectible.

4. Inventories and Prepaid Items

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

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

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

5. Right to Use Assets

The District has recorded right to use leased assets as a result of implementing GASB Statement No. 87, *Leases*. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the terms of the related leases.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Capital Assets

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

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

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

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

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

7. 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.

8. 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.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. 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.

10. 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 therefore, will not be recognized as an outflow of resources until that time. The District has two items that qualify for reporting in this category, which are deferred amounts related to pensions and deferred amounts related to other postemployment benefits. These amounts are deferred and recognized as outflows of resources when the District recognizes pension or other postemployment benefit expenses/expenditures. Deferred outflows of amounts related to pensions and other postemployment benefits are included in the government-wide statement of net position and the proprietary funds statement of net position.

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Deferred Outflows and Inflows of Resources (Continued)

For purposes of measuring the implicit other postemployment benefits (OPEB) liability, the District has relied on actuarial reports. The net OPEB liability, deferred outflows of resources, and deferred inflows of resources are related to changes in assumptions for the covered active and inactive participants.

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

11. 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.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, debt service, capital projects, 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 supplemental budget adopted. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts, one supplemental budget, and three approved appropriation transfers.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the state's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares.

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

Credit Risk

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

Investments

As of June 30, 2022, the District had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 758,136

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

A. Deposits and Investments (Continued)

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.

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, 2022, the District had deposits of \$250,000 insured by the FDIC and \$3,113,494 covered by the PFCP.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

A. Deposits and Investments (Continued)

Deposits

The District's deposits and investments at June 30, 2022 are as follows:

Cash on hand	\$ 650
Checking accounts	3,075,775
Total investments	<u>758,136</u>
Total deposits and investments	<u><u>\$ 3,834,561</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 2,327,701
Special Revenue Fund (book overdraft)	(45,244)
Internal Service Fund	<u>17,177</u>
Total governmental activities - unrestricted	2,299,634
Governmental activities - restricted	
Nonmajor governmental fund - Debt Service Fund	<u>5,170</u>
Total governmental activities	2,304,804
Business-type activities - unrestricted	
Enterprise Fund	<u>1,529,757</u>
Total cash and investments	<u><u>\$ 3,834,561</u></u>

Restricted cash is for payment of principal and interest on long-term debt.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

B. Right to Use Leased Assets

The District has recorded two right to use leased assets for equipment. The related leases are discussed in Note III-F.2. The right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the District for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance, As Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Right to use assets				
Leased equipment				
Copier	\$ 8,962	\$ -	\$ -	\$ 8,962
Postage meter	-	7,948	-	7,948
Total leased equipment right to use assets	<u>8,962</u>	<u>7,948</u>	<u>-</u>	<u>16,910</u>
Less accumulated amortization for				
Leased equipment				
Copier	(443)	(1,792)	-	(2,235)
Postage meter	-	(963)	-	(963)
Total leased equipment amortization	<u>(443)</u>	<u>(2,755)</u>	<u>-</u>	<u>(3,198)</u>
Total right to use assets being amortized, net	<u>\$ 8,519</u>	<u>\$ 5,193</u>	<u>\$ -</u>	<u>\$ 13,712</u>

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

Unallocated amortization expense	<u>\$ 2,755</u>
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SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

C. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 70,150	\$ -	\$ -	\$ 70,150
Construction in progress	48,484	-	48,484	-
Total capital assets not being depreciated	118,634	-	48,484	70,150
Capital assets being depreciated				
Buildings and improvements	3,892,793	137,797	-	4,030,590
Equipment	1,170,491	11,020	-	1,181,511
Vehicles	60,118	-	-	60,118
Total capital assets being depreciated	5,123,402	148,817	-	5,272,219
Less accumulated depreciation for				
Buildings and improvements	(1,360,886)	(167,810)	-	(1,528,696)
Equipment	(1,047,850)	(46,862)	-	(1,094,712)
Vehicles	(54,126)	(5,992)	-	(60,118)
Total accumulated depreciation	(2,462,862)	(220,664)	-	(2,683,526)
Total capital assets being depreciated, net	2,660,540	(71,847)	-	2,588,693
Governmental activities capital assets, net	\$ 2,779,174	\$ (71,847)	\$ 48,484	\$ 2,658,843
Business-type activities				
Capital assets being depreciated				
Equipment	\$ 104,938	\$ -	\$ -	\$ 104,938
Less accumulated depreciation for				
Equipment	(95,978)	(2,984)	-	(98,962)
Business-type activities capital assets, net	\$ 8,960	\$ (2,984)	\$ -	\$ 5,976

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

C. Capital Assets (Continued)

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

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Governmental activities			
Land	\$ 70,150	\$ -	\$ 70,150
Buildings and improvements	4,030,590	(1,528,696)	2,501,894
Equipment	1,181,511	(1,094,712)	86,799
Vehicles	<u>60,118</u>	<u>(60,118)</u>	<u>-</u>
Total governmental activities capital assets	5,342,369	(2,683,526)	2,658,843
Business-type activities			
Equipment	<u>104,938</u>	<u>(98,962)</u>	<u>5,976</u>
Total capital assets	<u>\$ 5,447,307</u>	<u>\$ (2,782,488)</u>	<u>\$ 2,664,819</u>

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

Governmental activities	
Unallocated depreciation	<u>\$ 220,664</u>
Business-type activities	
Unallocated depreciation	<u>\$ 2,984</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

D. Interfund Transfers

Interfund transfers during the year consisted of:

	Transfers in:				Total
	Governmental Activities			Business-Type	
	General Fund	Special Revenue Fund	Nonmajor Debt Service Fund	Activities Enterprise Fund	
Transfers out:					
Governmental activities					
General Fund	\$ -	\$ 742,000	\$ 50,000	\$ 6,738,522	\$ 7,530,522
Business-type activities					
Enterprise Fund	<u>5,927,033</u>	-	-	-	<u>5,927,033</u>
Total	<u>\$ 5,927,033</u>	<u>\$ 742,000</u>	<u>\$ 50,000</u>	<u>\$ 6,738,522</u>	<u>\$ 13,457,555</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.

Nonmajor Governmental Fund

Debt Service Fund – To transfer resources for principal and interest payments on long-term debt.

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

E. Compensated Absences

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	<u>\$ 48,601</u>	<u>\$ -</u>	<u>\$ 1,459</u>	<u>\$ 47,142</u>	<u>\$ 12,257</u>

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

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

F. Long-Term Liabilities

1. Changes in Long-Term Liabilities

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

	Interest Rates	Original Amount	Beginning Balance, As Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
Leases payable							
Copier	3.9%	\$ 8,962	\$ 8,471	\$ -	\$ 1,672	\$ 6,799	\$ 1,738
Postage meter	3.9%	7,948	-	7,948	972	6,976	1,507
Total leases payable		16,910	8,471	7,948	2,644	13,775	3,245
Bank loan							
Umpqua bank loan	3.09%	800,000	525,094	-	32,874	492,220	34,423
Financed purchases							
Copier lease 2017	0%	50,832	14,377	-	11,409	2,968	2,968
Copier lease 2020	0%	3,000	2,250	-	600	1,650	600
Copier lease 2021	0%	11,066	8,853	-	2,213	6,640	2,213
Total financed purchases		64,898	25,480	-	14,222	11,258	5,781
Total governmental activities		<u>\$ 881,808</u>	<u>\$ 559,045</u>	<u>\$ 7,948</u>	<u>\$ 49,740</u>	<u>\$ 517,253</u>	<u>\$ 43,449</u>

2. Leases Payable

a. Copier Lease

The agreement was executed on April 1, 2021 to lease a copier and requires 60 monthly payments of \$165. Variable payments consist of \$0.0078 per copy for black and white images and \$0.055 per copy for color images. The lease liability is measured at an implied discount rate of 3.9%. As a result of the lease, the District has recorded a right to use asset with a net book value of \$6,727 on June 30, 2022. The right to use leased asset is discussed in more detail in Note III-B.

b. Postage Meter Lease

The agreement was executed on November 22, 2021 to lease a postage meter and requires 60 monthly payments of \$146. The lease liability is measured at an implied discount rate of 3.9%. As a result of the lease, the District has recorded a right to use asset with a net book value of \$6,985 on June 30, 2022. The right to use leased asset is discussed in more detail in Note III-B.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

F. Long-Term Liabilities (Continued)

3. Umpqua Bank Loan

On June 15, 2018, the District entered into a loan agreement with Umpqua Bank to finance plumbing and roof replacement projects. As of June 30, 2022, the outstanding balance of the loan was \$492,220. Interest is fixed at 3.09%. Semiannual payments of principal and interest are due on December 15 and June 15. The maturity date of the loan is June 15, 2034.

4. Financed Purchases

a. Copier Lease

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

b. Copier Lease

The District entered into an agreement to lease a copier on March 30, 2020. This lease agreement qualifies as a financed purchase for accounting purposes and has therefore been recorded at the present value of minimum lease payments as of the inception date. Interest is fixed at 0%. Payments of \$50 are due monthly. The lease is collateralized by the copier.

c. Copier Lease

The District entered into an agreement to lease a copier on July 1, 2020. This lease agreement qualifies as a financed purchase for accounting purposes and has therefore been recorded at the present value of minimum lease payments as of the inception date. Interest is fixed at 0%. Payments of \$184 are due monthly. The lease is collateralized by the copier.

5. Future Maturities of Long-Term Liabilities

Year Ending June 30	Leases Payable		Loan		Financed Purchases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 3,245	\$ 483	\$ 34,423	\$ 14,930	\$ 5,781	\$ 34	\$ 43,449	\$ 15,447
2024	3,374	354	35,495	13,858	2,813	-	41,682	14,212
2025	3,508	220	36,601	12,753	2,664	-	42,773	12,973
2026	3,069	83	37,740	11,613	-	-	40,809	11,696
2027	579	5	38,915	10,438	-	-	39,494	10,443
2028-2032	-	-	213,527	33,241	-	-	213,527	33,241
2033-2034	-	-	95,519	3,697	-	-	95,519	3,697
Total	<u>\$ 13,775</u>	<u>\$ 1,145</u>	<u>\$ 492,220</u>	<u>\$ 100,530</u>	<u>\$ 11,258</u>	<u>\$ 34</u>	<u>\$ 517,253</u>	<u>\$ 101,709</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

G. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Special Revenue Fund	Nonmajor Debt Service Fund	Total
Nonspendable:				
Prepays	\$ 78,969	\$ -	\$ -	\$ 78,969
Restricted for:				
Debt service	-	-	5,170	5,170
Special programs	-	1,884,906	-	1,884,906
Unassigned	<u>1,217,829</u>	<u>-</u>	<u>-</u>	<u>1,217,829</u>
Total fund balances	<u>\$ 1,296,798</u>	<u>\$ 1,884,906</u>	<u>\$ 5,170</u>	<u>\$ 3,186,874</u>

IV. PENSION PLAN

A. Plan Description

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

B. Benefits Provided

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

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options that are actuarially equivalent to the base benefit. These options include survivorship benefits and lump-sum refunds. The base 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. Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2020.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

IV. PENSION PLAN (Continued)

B. Benefits Provided (Continued)

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

Pension Benefits (Continued)

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

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

- 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 fair value of underlying global equity investments of that account. 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
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

IV. PENSION PLAN (Continued)

B. Benefits Provided (Continued)

2. Oregon Public Service Retirement Plan (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.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2020.

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, or, 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.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

IV. PENSION PLAN (Continued)

B. Benefits Provided (Continued)

3. OPSRP Individual Account Program (IAP)

Benefit Terms

The IAP is an individual account-based program under the OPERS tax-qualified governmental plan as defined under ORS 238A.400. 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.

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 stipulation.

Death Benefits

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

Recordkeeping

OPERS contracts with Voya Financial to maintain IAP participant records.

C. Contributions

PERS' funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation, which became effective July 1, 2021. Effective January 1, 2020, Senate Bill 1049 required employers to pay contributions on reemployed PERS retirees' salaries as if they were active members, excluding IAP contributions. Employer contributions for the year ended June 30, 2022 were \$1,576,391, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2022 were 26.83% for Tier One/Tier Two general service members, 23.72% 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, 2022

IV. PENSION PLAN (Continued)

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

At June 30, 2022, the District reported a liability of \$7,079,884 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. 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, 2021, the District's proportion was 0.05916%, which decreased from its proportion of 0.05917% measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$638,198. At June 30, 2022, 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	\$ 662,723	\$ -
Change in assumptions	1,772,308	18,633
Net difference between projected and actual earnings on investments	-	5,241,183
Changes in proportion	324,741	399,912
Differences between employer contributions and proportionate share of contributions	<u>530,521</u>	<u>-</u>
Total (prior to post measurement date contributions)	3,290,293	5,659,728
Contributions subsequent to the measurement date	<u>1,576,391</u>	<u>-</u>
Total	<u>\$ 4,866,684</u>	<u>\$ 5,659,728</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

IV. PENSION PLAN (Continued)

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

Deferred outflows of resources related to pensions of \$1,576,391 resulting from the District's contributions subsequent to the measurement date will be recognized as either a reduction of the net pension liability or an increase in the net pension asset in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Amortization Period Ending June 30	Deferred Outflows	Deferred Inflows
2023	\$ 1,084,457	\$ 1,506,483
2024	824,174	1,241,384
2025	663,132	1,231,407
2026	526,806	1,680,378
2027	191,724	76
	\$ 3,290,293	\$ 5,659,728

E. Actuarial Assumptions

The employer contribution rates effective July 1, 2021 through June 30, 2023, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period. Senate Bill 1049 was signed into law in June 2019 and required a one-time re-amortization of Tier One/Tier Two unfunded actuarial accrued liabilities over a 22-year period at the December 31, 2019 rate-setting actuarial valuation, which set actuarially determined contribution rates for the 2021-2023 biennium. Future Tier One/Tier Two unfunded actuarial accrued liability gains or losses will be 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 actuarially determined amount for funding a disability funding component, and (3) 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, 2022

IV. PENSION PLAN (Continued)

E. Actuarial Assumptions (Continued)

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2019
Measurement Date	June 30, 2021
Experience Study	2018, published July 24, 2019
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.40%
Long-Term Expected Rate of Return	6.90%
Discount Rate	6.90%
Projected Salary Increases	3.40%
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: Pub-2010 Healthy retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even-numbered years. The methods and assumptions shown above are based on the 2018 Experience Study.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

IV. PENSION PLAN (Continued)

F. Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019, 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, revised as of April 24, 2019.

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	0.00 %
Debt Securities	20.00 %
Public Equity	32.50 %
Private Equity	17.50 %
Real Estate	12.50 %
Alternatives Portfolio	15.00 %
Risk Parity	<u>2.50 %</u>
Total	<u>100.00 %</u>

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>20-Year Annualized Geometric Mean</u>
Global Equity	30.62 %	5.85 %
Private Equity	25.50 %	7.71 %
Core Fixed Income	23.75 %	2.73 %
Real Estate	12.25 %	5.66 %
Master Limited Partnerships	0.75 %	5.71 %
Infrastructure	1.50 %	6.26 %
Commodities	0.63 %	3.10 %
Hedge Fund of Funds - Multistrategy	1.25 %	5.11 %
Hedge Fund Equity - Hedge	0.63 %	5.31 %
Hedge Fund - Macro	5.62 %	5.06 %
US Cash	<u>-2.50 %</u>	1.76 %
Total	<u>100.00 %</u>	
Assumed Inflation - Mean		2.40 %

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

IV. PENSION PLAN (Continued)

G. Depletion Date Projection

GASB Statement No. 68 generally requires that a blended discount rate be used to measure the total pension liability (the actuarial accrued liability calculated using the individual entry age normal cost method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's net position (fair value of investment assets, all others at cost) 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 asset values. GASB Statement No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. The Governmental Accounting Standards Board does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

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

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

H. Discount Rate

The discount rate used to measure the total pension liability was 6.90% 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, 2022

IV. PENSION PLAN (Continued)

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.90%, 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 (5.90%) or one percentage point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability (asset)	\$ 13,903,199	\$ 7,079,884	\$ 1,371,246

J. Pension Plan Net Position

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

K. Changes in Plan Provisions During Measurement Period

Oregon Senate Bill 111, enacted in June 2021, provides an increased pre-retirement death benefit for members who die on or after their early retirement age.

L. Changes in Plan Provisions Subsequent to Measurement Date

On July 23, 2021, the Public Employees Retirement System Board voted to set the assumed rate of return to 6.90%, down from 7.20%, and the inflation rate was lowered from 2.50% to 2.40%. These rates were applied by the actuaries to the net pension liability as of June 30, 2021.

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Benefit Plan

The other postemployment benefits (OPEB) for the District combines two separate plans. The District provides an implicit rate subsidy for retiree health insurance continuation premiums, and a contribution to the State of Oregon’s PERS cost-sharing, multiple-employer, defined health insurance benefit plan.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

B. Financial Statement Presentation

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

	Implicit Rate Subsidy Plan	PERS RHIA Plan	Total OPEB
Net OPEB (asset) liability	\$ 204,118	\$ (147,580)	\$ 56,538
Deferred outflows of resources			
Change in assumptions	174,958	2,904	177,862
Change in proportionate share	-	25,693	25,693
Contributions after measurement date	-	1,106	1,106
Deferred inflows of resources			
Difference between expected and actual experience	-	(4,106)	(4,106)
Difference in earnings	-	(35,073)	(35,073)
Change in proportionate share	-	(10,125)	(10,125)
Change in assumptions	-	(2,195)	(2,195)
OPEB expense	29,160	(18,624)	10,536
(Included in program expenses on statement of activities)			

C. Implicit Rate Subsidy

1. Plan Description

The District's healthcare plan is administered by the Oregon Educators Benefit Board. The District has a health insurance continuation option available for most groups of retirees. It is a substantive postemployment benefits plan offered under Oregon Revised Statutes (ORS) 243. ORS 243.303 requires that the District provide retirees with an opportunity to participate in group health and dental insurance from the date of retirement to age 65, and the rate would be calculated using claims experience from retirees and active employees for health plan rating purposes. Providing the same rate to retirees as provided to current employees constitutes an implicit rate subsidy for OPEB. This cost-sharing, multiple-employer plan is not a standalone plan and therefore does not issue its own financial statements.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

C. Implicit Rate Subsidy (Continued)

2. Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same healthcare coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2021, the following employees were covered by the benefit terms:

Active employees	113
Inactive employees or beneficiaries receiving benefits	<u>1</u>
Total	<u><u>114</u></u>

3. Total OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to the Implicit Rate Subsidy

The District's total OPEB liability of \$204,118 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

For the fiscal year ended June 30, 2022, the District recognized OPEB expense from this plan of \$29,160. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions or other inputs	<u>\$ 174,958</u>	<u>\$ -</u>

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

Amortization Period Ending June 30	Deferred Outflows and Inflows
2023	\$ 29,160
2024	29,160
2025	29,160
2026	29,160
2027	29,160
Thereafter	<u>29,158</u>
	<u><u>\$ 174,958</u></u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

C. Implicit Rate Subsidy (Continued)

4. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2021 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.00%
Salary Increases	3.00%
Withdrawal, retirement, and mortality rates	December 31, 2019 Oregon PERS valuation
Discount Rate	3.50%
Healthcare Cost Trend Rate	Medical: 3.50% per year

The discount rate was based on the Bond Buyer 20-Year General Obligation Municipal Bond Index.

5. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2021	\$ -
Changes for the year:	
Changes of assumptions or other inputs	<u>204,118</u>
Balance as of June 30, 2022	<u>\$ 204,118</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

C. Implicit Rate Subsidy (Continued)

6. Sensitivity of the Total OPEB Liability

The following presents the District's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

	Discount Rate		
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 219,685	\$ 204,118	\$ 189,574

	Healthcare Cost Trend		
	1% Decrease (2.50% Graded)	Current Trend Rate (3.50% Graded)	1% Increase (4.50% Graded)
Total OPEB Liability	\$ 180,491	\$ 204,118	\$ 232,389

D. PERS Retirement Health Insurance Account (RHIA)

1. Plan Description

The District contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained at:

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

SOUTH COAST EDUCATION SERVICE DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

2. Benefits Provided

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

3. Contributions

PERS' funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2019 actuarial valuation, which became effective July 1, 2021. The District's contribution rates for the period were 0.06% for Tier One/Tier Two members to fund the normal cost portion of RHIA benefits. No unfunded actuarial accrued liability rate was assigned for the RHIA program as it was funded at 172.1% as of December 31, 2020. Typically, PERS employers contribute an actuarially determined percentage of all PERS-covered salaries to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities being amortized over 10 years. The District's total contributions for the year ended June 30, 2022 amounted to \$1,274.

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

At June 30, 2022, the District reported an asset of \$147,580 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. The District's proportion of the net OPEB asset was based on the District's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2021, the District's proportionate share was 0.0429%, which decreased from its proportion of 0.0638% as of June 30, 2020.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

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

For the year ended June 30, 2022, the District recognized OPEB expense from this plan of \$(18,624). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,106
Change in assumptions	2,904	2,195
Net differences between projected and actual earnings	-	35,073
Changes in proportionate share	25,693	10,125
Total (prior to post measurement date contributions)	28,597	51,499
Contributions subsequent to the measurement date	1,106	-
Total	\$ 29,703	\$ 51,499

Deferred outflows of resources related to OPEB of \$1,106 resulting from the District's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization Period Ending June 30	Deferred Outflows	Deferred Inflows
2023	\$ 16,900	\$ 24,142
2024	11,697	8,270
2025	-	8,007
2026	-	11,080
	\$ 28,597	\$ 51,499

5. Actuarial Methods and Assumptions

The RHIA plan is unaffected by healthcare cost trends since the benefit is limited to a \$60 monthly payment toward Medicare companion insurance premiums; consequently, the disclosure of a healthcare cost trend is not applicable. Other significant actuarial assumptions are consistent with those disclosed for the OPERS pension plan in Note IV-E.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

6. Long-Term Expected Rate of Return

The long-term expected rate of return assumptions for the OPEB plan are consistent with those disclosed for the OPERS pension plan in Note IV-F.

7. Depletion Date Projection

The detailed depletion date projections outlined in GASB Statement No. 75, and allowance for alternative evaluations of projected solvency outlined in GASB Statement No. 75 (paragraph 39), are consistent with those disclosed for GASB Statement No. 68 in Note IV-G.

8. Discount Rate

The discount rate used to measure the total OPEB liability was 6.90% for the OPEB plan. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the OPEB 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 OPEB plan investments for the OPEB plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the District's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 6.90%, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net OPEB liability (asset)	\$ (130,512)	\$ (147,580)	\$ (162,159)

10. OPEB Plan Net Position

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

11. Changes in Plan Provisions During Measurement Period

There were no changes in plan provisions during the current measurement period.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

12. Changes in Plan Provisions Subsequent to Measurement Date

On July 23, 2021, the Public Employees Retirement System Board voted to set the assumed rate of return to 6.90%, down from 7.20%, and the inflation rate was lowered from 2.50% to 2.40%. These rates were applied by the actuaries to the net OPEB liability as of June 30, 2021.

VI. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Concentrations

1. Collective Bargaining Agreements

At June 30, 2022, the District had a total of approximately 124 employees. Of this total, approximately 93% are covered under collective bargaining agreements and 53% are licensed staff represented by a union. The agreement was signed on August 23, 2022 and expires on June 30, 2025. Approximately 40% of employees are classified staff. All are covered by collective bargaining agreements. The full-time collective bargaining agreement was signed on July 25, 2019 and an extension was signed on January 16, 2021, extending the agreement until June 30, 2022. The part-time collective bargaining agreement was signed on July 24, 2019 and an extension was signed on January 16, 2021, extending the agreement until June 30, 2022.

C. Tax Abatements

For the year ended June 30, 2022, the District had tax abatements through the Enterprise Zone Exemption (EZE) pursuant to ORS 285C.175. The EZE exempts property of authorized business firms from ad valorem property taxes. Total abated property taxes under this program amounted to \$55.

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

VI. OTHER INFORMATION (Continued)

D. Restatement

During the year ended June 30, 2022, the District implemented GASB Statement No. 84, *Fiduciary Activities*, the result of which was that certain funds previously reported as agency funds were no longer classified as fiduciary activities and thereby, are now reported in the appropriate operating funds of the District. Also during the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*. In implementing these standards, the District restated beginning net position as follows:

Government-Wide Statements			
	Governmental Activities	Business-Type Activities	Total
Net position - beginning, as originally reported	\$ (2,634,824)	\$ 165,863	\$ (2,468,961)
To correct beginning balance for implementation of GASB 84	-	640,026	640,026
To correct beginning balance for implementation of GASB 87	48	-	48
Net position - beginning, as restated	<u>\$ (2,634,776)</u>	<u>\$ 805,889</u>	<u>\$ (1,828,887)</u>

GAAP Basis Statement		Enterprise Fund
Net position - beginning, as originally reported		\$ 165,863
To correct beginning balance for implementation of GASB 84		640,026
Net position - beginning, as restated		<u>\$ 805,889</u>

Budget Basis Statement		Enterprise Fund
Net position - beginning, as originally reported		\$ 203,570
To correct beginning balance for implementation of GASB 84		640,026
Net position - beginning, as restated		<u>\$ 843,596</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

VI. OTHER INFORMATION (Continued)

E. 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. 91, *Conduit Debt Obligations*, is effective for the District beginning with its fiscal year ending June 30, 2023. The objective of this statement clarifies the definition of a conduit debt obligation and improves required note disclosures.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will be effective for the District beginning with its fiscal year ending June 30, 2023. The requirements of this statement will improve financial reporting by establishing the definitions of public-private and public-public arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will be effective for the District beginning with its fiscal year ending June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments.

GASB Statement No. 99, *Omnibus 2022*, will be effective for the District beginning with its fiscal year ending June 30, 2023. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation of certain GASB statements and accounting and financial reporting for financial guarantees.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*, will be effective for the District beginning with its fiscal year ending June 30, 2024. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or accessing accountability.

GASB Statement No. 101, *Compensated Absences*, will be effective for the District beginning with its fiscal year ending June 30, 2025. This statement updates the recognition and measurement guidance for compensated absences and amends previously required disclosures.

F. Subsequent Events

Management has evaluated subsequent events through December 29, 2022, 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

<u>Pension Plan</u>	(a)	(b)	(c)	(b/c)	Plan fiduciary
Year Ended June 30	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	net position as a percentage of the total pension liability
2022	0.05916430%	\$ 7,079,884	\$ 5,926,961	119.45%	87.60%
2021	0.05917010%	12,912,951	5,579,858	231.42%	75.80%
2020	0.05557005%	9,612,288	4,876,837	197.10%	80.20%
2019	0.06090739%	9,226,667	4,309,723	214.09%	82.10%
2018	0.06503425%	8,766,641	4,340,312	201.98%	83.10%
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.

Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future benefits for certain active members are projected to be lower than prior to the legislation.

Oregon Senate Bill 111, enacted in June 2021, provides an increased pre-retirement death benefit for members who die on or after their early retirement age.

Changes in Assumptions

The Public Employees Retirement System Board adopted assumption changes that were used to measure the June 30, 2016, 2018, and 2021 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50% and the lowering of the assumed inflation rate to 2.50%. For June 30, 2018, the long-term expected rate of return was lowered to 7.20%. For June 30, 2021, the long-term expected rate of return was lowered to 6.90% and the inflation rate was lowered to 2.40%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

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

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF CONTRIBUTIONS

<u>Pension Plan</u>		(b)		(a-b)		(c)	(b/c)
Year Ended June 30	(a) Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percent of covered payroll		
2022	\$ 1,576,391	\$ 1,576,391	\$ -	\$ 6,495,729	24.27%		
2021	1,676,677	1,676,677	-	5,926,961	28.29%		
2020	1,476,192	1,476,192	-	5,579,858	26.46%		
2019	1,129,805	1,129,805	-	4,876,837	23.17%		
2018	1,018,844	1,018,844	-	4,309,723	23.64%		
2017	860,524	860,524	-	4,340,312	19.83%		
2016	899,661	899,661	-	4,388,455	20.50%		
2015	899,735	899,735	-	4,133,781	21.77%		
2014	863,606	863,606	-	4,399,996	19.63%		

Changes in Benefit Terms

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

Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future benefits for certain active members are projected to be lower than prior to the legislation.

Oregon Senate Bill 111, enacted in June 2021, provides an increased pre-retirement death benefit for members who die on or after their early retirement age.

Changes in Assumptions

The Public Employees Retirement System Board adopted assumption changes that were used to measure the June 30, 2016, 2018, and 2021 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50% and the lowering of the assumed inflation rate to 2.50%. For June 30, 2018, the long-term expected rate of return was lowered to 7.20%. For June 30, 2021, the long-term expected rate of return was lowered to 6.90% and the inflation rate was lowered to 2.40%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

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

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

<u>Implicit Rate Subsidy</u>	<u>2022</u>
Total OPEB Liability	
Change in assumptions	\$ 204,118
Net change in total OPEB liability	204,118
Total OPEB liability - beginning	<u>-</u>
Total OPEB liability - ending	<u>\$ 204,118</u>
Covered employee payroll	\$ 6,495,729
Total OPEB liability as a percentage of covered employee payroll	3.14%

Changes in Assumptions

For each valuation date, the following changes in assumptions are made:

Expected claims and premiums are updated to reflect changes in available benefits and premium levels. Expected retiree and dependent costs are updated to reflect current health cost guidelines.

The healthcare cost trend is updated to reflect changes in premium levels, as well as future expected economic and regulatory conditions.

Mortality, withdrawal, and retirement rates are updated to reflect assumptions used in the Oregon PERS actuarial valuation immediately preceding each implicit rate subsidy valuation date.

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

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

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

<u>RHIA</u>					
Year Ended June 30	(a) District's proportion of the net OPEB liability (asset)	(b) District's proportionate share of the net OPEB liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.04297593%	\$ (147,580)	\$ 5,926,961	-2.49%	183.90%
2021	0.06377122%	(129,940)	5,579,858	-2.33%	150.10%
2020	0.04280789%	(82,720)	4,876,837	-1.70%	144.40%
2019	0.05011882%	(55,946)	4,309,723	-1.30%	124.00%
2018	0.04305673%	(17,969)	4,340,312	-0.41%	108.90%
2017	0.04640860%	12,603	4,388,455	0.29%	94.20%

Changes in Assumptions

The Public Employees Retirement System Board adopted assumption changes that were used to measure the June 30, 2016, 2018, and 2021 total OPEB liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50% and the lowering of the assumed inflation rate to 2.50%. For June 30, 2018, the long-term expected rate of return was lowered to 7.20%. For June 30, 2021, the long-term expected rate of return was lowered to 6.90% and the inflation rate was lowered to 2.40%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups.

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

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

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF CONTRIBUTIONS

OTHER POSTEMPLOYMENT BENEFITS

<u>RHIA</u>						
Year Ended June 30	(a) Contractually required contribution	(b) Contributions in relation to the contractually required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll	
2022	\$ 1,274	\$ 1,274	\$ -	\$ 6,495,729	0.02%	
2021	4,056	4,056	-	5,926,961	0.07%	
2020	21,239	21,239	-	5,579,858	0.38%	
2019	21,216	21,216	-	4,876,837	0.44%	
2018	21,436	21,436	-	4,309,723	0.50%	
2017	20,693	20,693	-	4,340,312	0.48%	

Changes in Assumptions

The Public Employees Retirement System Board adopted assumption changes that were used to measure the June 30, 2016, 2018, and 2021 total OPEB liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50% and the lowering of the assumed inflation rate to 2.50%. For June 30, 2018, the long-term expected rate of return was lowered to 7.20%. For June 30, 2021, the long-term expected rate of return was lowered to 6.90% and the inflation rate was lowered to 2.40%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups.

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

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

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Local revenue	\$ 8,330,400	\$ (18,907)	\$ 8,311,493	\$ -	\$ 8,311,493
Intermediate revenue	-	5,689	5,689	-	5,689
State revenue	<u>2,681,065</u>	<u>(349,485)</u>	<u>2,331,580</u>	<u>-</u>	<u>2,331,580</u>
Total revenues	<u>11,011,465</u>	<u>(362,703)</u>	<u>10,648,762</u>	<u>-</u>	<u>10,648,762</u>
EXPENDITURES					
Current					
Instruction	3,668,866	(232,958)	3,435,908	-	3,435,908
Support services	6,220,592	(212,387)	6,008,205	-	6,008,205
Contingency	<u>668,701</u>	<u>(668,701)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>10,558,159</u>	<u>(1,114,046)</u>	<u>9,444,113</u>	<u>-</u>	<u>9,444,113</u>
Excess (deficiency) of revenues over (under) expenditures	<u>453,306</u>	<u>751,343</u>	<u>1,204,649</u>	<u>-</u>	<u>1,204,649</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,557,494	(2,630,461)	5,927,033	-	5,927,033
Transfers out	(7,683,995)	(153,473)	(7,530,522)	-	(7,530,522)
Apportionment of funds by ESD	<u>(2,500,000)</u>	<u>(1,848,809)</u>	<u>(651,191)</u>	<u>-</u>	<u>(651,191)</u>
Total other financing sources (uses)	<u>(1,626,501)</u>	<u>(628,179)</u>	<u>(2,254,680)</u>	<u>-</u>	<u>(2,254,680)</u>
Net change in fund balance	(1,173,195)	123,164	(1,050,031)	-	(1,050,031)
Fund balance - beginning	<u>1,815,195</u>	<u>531,634</u>	<u>2,346,829</u>	<u>-</u>	<u>2,346,829</u>
Fund balance - ending	<u>\$ 642,000</u>	<u>\$ 654,798</u>	<u>\$ 1,296,798</u>	<u>\$ -</u>	<u>\$ 1,296,798</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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES			
Local revenue	\$ 375,178	\$ 375,178	\$ 448,862
Intermediate revenue	3,924,695	3,924,695	(1,096,320)
State revenue	1,100,594	1,100,594	(234,441)
Federal revenue	<u>1,272,069</u>	<u>1,272,069</u>	<u>381,505</u>
Total revenues	<u>6,672,536</u>	<u>6,672,536</u>	<u>(500,394)</u>
EXPENDITURES			
Current			
Instruction	3,967,233	4,167,233	(343,311)
Support services	2,754,438	2,554,438	(601,974)
Enterprise and community services	837,669	837,669	(653,214)
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>7,559,340</u>	<u>7,559,340</u>	<u>(1,598,499)</u>
Excess (deficiency) of revenues over (under) expenditures	(886,804)	(886,804)	1,098,105
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>162,000</u>	<u>162,000</u>	<u>580,000</u>
Net change in fund balance	(724,804)	(724,804)	1,678,105
Fund balance - beginning	<u>724,804</u>	<u>724,804</u>	<u>206,801</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,884,906</u>

Budget Basis	Actual	
	Adjustments	GAAP Basis
\$ 824,040	\$ -	\$ 824,040
2,828,375	-	2,828,375
866,153	-	866,153
<u>1,653,574</u>	<u>-</u>	<u>1,653,574</u>
<u>6,172,142</u>	<u>-</u>	<u>6,172,142</u>
3,823,922	-	3,823,922
1,952,464	-	1,952,464
184,455	-	184,455
<u>-</u>	<u>-</u>	<u>-</u>
<u>5,960,841</u>	<u>-</u>	<u>5,960,841</u>
211,301	-	211,301
<u>742,000</u>	<u>-</u>	<u>742,000</u>
953,301	-	953,301
<u>931,605</u>	<u>-</u>	<u>931,605</u>
<u>\$ 1,884,906</u>	<u>\$ -</u>	<u>\$ 1,884,906</u>

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

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

DEBT SERVICE FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Debt service	<u>50,000</u>	<u>(647)</u>	<u>49,353</u>	<u>-</u>	<u>49,353</u>
Excess (deficiency) of revenues over (under) expenditures	(50,000)	647	(49,353)	-	(49,353)
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	-	647	647	-	647
Fund balance - beginning	<u>-</u>	<u>4,523</u>	<u>4,523</u>	<u>-</u>	<u>4,523</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 5,170</u>	<u>\$ 5,170</u>	<u>\$ -</u>	<u>\$ 5,170</u>

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

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

ENTERPRISE FUND

For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES			
Local revenue	\$ 172,750	\$ 172,750	\$ 496
EXPENSES			
Current			
Support services	247,535	247,535	(78,161)
Facilities acquisition and construction	-	-	-
Contingency	<u>157,860</u>	<u>157,860</u>	<u>(157,860)</u>
Total expenses	<u>405,395</u>	<u>405,395</u>	<u>(236,021)</u>
Excess (deficiency) of revenues over (under) expenses	<u>(232,645)</u>	<u>(232,645)</u>	<u>236,517</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	8,557,495	(1,818,973)
Transfers out	<u>-</u>	<u>(8,557,495)</u>	<u>(2,630,462)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>811,489</u>
Change in net position	(232,645)	(232,645)	1,048,006
Net position - beginning, as restated	<u>232,645</u>	<u>232,645</u>	<u>610,951</u>
Net position - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,658,957</u></u>

Budget Basis	Actual	
	Adjustments	GAAP Basis
\$ 173,246	\$ -	\$ 173,246
169,374	(6,530)	162,844
-	2,984	2,984
-	-	-
<u>169,374</u>	<u>(3,546)</u>	<u>165,828</u>
<u>3,872</u>	<u>3,546</u>	<u>7,418</u>
6,738,522	-	6,738,522
<u>(5,927,033)</u>	<u>-</u>	<u>(5,927,033)</u>
<u>811,489</u>	<u>-</u>	<u>811,489</u>
815,361	3,546	818,907
<u>843,596</u>	<u>(37,707)</u>	<u>805,889</u>
<u>\$ 1,658,957</u>	<u>\$ (34,161)</u>	<u>\$ 1,624,796</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, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Local revenue	\$ 31,000	\$ (7,007)	\$ 23,993	\$ -	\$ 23,993
EXPENSES					
Current					
Support services	36,399	(10,080)	26,319	-	26,319
Contingency	<u>7,000</u>	<u>(7,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>43,399</u>	<u>(17,080)</u>	<u>26,319</u>	<u>-</u>	<u>26,319</u>
Excess (deficiency) of revenues over (under) expenses	(12,399)	10,073	(2,326)	-	(2,326)
Net position - beginning	<u>12,399</u>	<u>6,363</u>	<u>18,762</u>	<u>-</u>	<u>18,762</u>
Net position - ending	<u>\$ -</u>	<u>\$ 16,436</u>	<u>\$ 16,436</u>	<u>\$ -</u>	<u>\$ 16,436</u>

OTHER FINANCIAL SCHEDULES

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

REVENUE SUMMARY - ALL FUNDS

For the Year Ended June 30, 2022

	Fund 100	Fund 200	Fund 300
Revenue from Local Sources			
1110 Ad Valorem Taxes Levied by District	\$ 4,303,617	\$ -	\$ -
1500 Earnings on Investments	42,015	-	-
1910 Rentals	12,000	-	-
1920 Contributions and Donations	-	372,143	-
1940 Services Provided Other Local Education Agencies	2,883,869	291,539	-
1960 Recovery of Prior Years' Expenditure	7,806	-	-
1970 Services Provided Other Funds	1,050,187	24,419	-
1990 Miscellaneous	11,999	135,939	-
Total Revenue from Local Sources	\$ 8,311,493	\$ 824,040	\$ -
Revenue from Intermediate Sources			
2199 Other Intermediate Source	\$ 5,689	\$ -	\$ -
2200 Restricted Revenue	-	2,828,375	-
Total Revenue from Intermediate Sources	\$ 5,689	\$ 2,828,375	\$ -
Revenue from State Sources			
3101 State School Fund - General Support	\$ 2,331,208	\$ -	\$ -
3104 State Managed County Timber	372	-	-
3299 Other Restricted Grants-in-Aid	-	866,153	-
Total Revenue from State Sources	\$ 2,331,580	\$ 866,153	\$ -
Revenue from Federal Sources			
4500 Restricted Revenue From the Federal Government Through the State	\$ -	\$ 1,653,574	\$ -
Total Revenue from Federal Sources	\$ -	\$ 1,653,574	\$ -
Revenue from Other Sources			
5200 Interfund Transfers	\$ 5,927,033	\$ 742,000	\$ 50,000
5400 Resources - Beginning Fund Balance	2,346,829	931,605	4,523
Total Revenue from Other Sources	\$ 8,273,862	\$ 1,673,605	\$ 54,523
Grand Totals	\$ 18,922,624	\$ 7,845,747	\$ 54,523

Fund 500	Fund 600
\$ -	\$ -
157	-
-	-
-	-
172,749	-
-	-
-	23,993
340	-
\$ 173,246	\$ 23,993

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

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

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

Fund 500	Fund 600
\$ 6,738,522	\$ -
843,596	18,762
\$ 7,582,118	\$ 18,762
\$ 7,755,364	\$ 42,755

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - GENERAL FUND

For the Year Ended June 30, 2022

Instruction Expenditures

	Totals	Object 100	Object 200
1220 Restrictive Programs for Students with Disabilities	\$ 3,159,423	\$ 1,631,499	\$ 1,052,155
1260 Treatment and Habilitation	126,170	73,294	40,128
1280 Alternative Education	150,315	24,136	6,638
Total Instruction Expenditures	\$ 3,435,908	\$ 1,728,929	\$ 1,098,921

Support Services Expenditures

	Totals	Object 100	Object 200
2110 Attendance and Social Work Services	\$ 29,214	\$ 15,737	\$ 11,026
2120 Guidance Services	131,114	78,004	42,340
2130 Health Services	807,942	389,115	219,590
2140 Psychological Services	446,894	252,842	123,669
2150 Speech Pathology and Audiology Services	1,328,779	522,000	282,352
2160 Other Student Treatment Services	1,038,774	370,947	210,642
2190 Service Direction, Student Support Services	27,675	10,933	6,138
2210 Improvement of Instruction Services	35,809	15,008	5,587
2240 Instructional Staff Development	13,245	8,810	2,931
2310 Board of Education Services	150,583	13,815	8,853
2320 Executive Administration Services	265,156	174,319	64,773
2490 Other Support Services - School Administration	21,453	10,663	7,017
2510 Direction of Business Support Services	17	-	-
2520 Fiscal Services	467,329	269,992	121,884
2540 Operation and Maintenance of Plant Services	296,518	86,420	52,286
2630 Information Services	4,978	2,953	2,021
2640 Staff Services	109,607	65,994	33,078
2660 Technology Services	833,118	301,705	161,366
Total Support Services Expenditures	\$ 6,008,205	\$ 2,589,257	\$ 1,355,553

Other Uses Expenditures

	Totals	Object 100	Object 200
5200 Transfers of Funds	\$ 7,530,522	\$ -	\$ -
5300 Apportionment of Funds by ESD	651,191	-	-
Total Other Uses Expenditures	\$ 8,181,713	\$ -	\$ -

Grand Total

\$ 17,625,826	\$ 4,318,186	\$ 2,454,474
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Object 300	Object 400	Object 600	Object 700
\$ 210,835	\$ 61,874	\$ 203,060	\$ -
447	4,937	7,364	-
101	106,301	13,139	-
\$ 211,383	\$ 173,112	\$ 223,563	\$ -

Object 300	Object 400	Object 600	Object 700
\$ 698	\$ -	\$ 1,753	\$ -
1,402	371	8,997	-
136,789	6,937	55,511	-
22,472	20,777	27,134	-
414,462	29,554	80,411	-
345,557	47,761	63,867	-
1,329	2,377	6,898	-
2,425	6,734	6,055	-
694	-	810	-
71,282	4,849	51,784	-
18,203	4,615	3,246	-
1,913	573	1,287	-
-	17	-	-
38,223	27,964	9,266	-
68,353	7,208	82,251	-
4	-	-	-
7,589	1,837	1,109	-
323,316	17,636	29,095	-
\$ 1,454,711	\$ 179,210	\$ 429,474	\$ -

Object 300	Object 400	Object 600	Object 700
\$ -	\$ -	\$ -	\$ 7,530,522
-	-	-	651,191
\$ -	\$ -	\$ -	\$ 8,181,713
\$ 1,666,094	\$ 352,322	\$ 653,037	\$ 8,181,713

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - SPECIAL REVENUE FUND

For the Year Ended June 30, 2022

Instruction Expenditures

	Totals	Object 100	Object 200
1220 Restrictive Programs for Students with Disabilities	\$ 375	\$ -	\$ -
1250 Less Restrictive Programs for Students with Disabilities	514,226	162,285	96,522
1260 Treatment and Habilitation	2,999,292	1,420,148	814,974
1299 Other Programs	310,029	164,799	76,469
Total Instruction Expenditures	\$ 3,823,922	\$ 1,747,232	\$ 987,965

Support Services Expenditures

	Totals	Object 100	Object 200
2110 Attendance and Social Work Services	\$ 111,748	\$ 46,851	\$ 33,265
2130 Health Services	229	-	-
2150 Speech Pathology and Audiology Services	153	-	-
2160 Other Student Treatment Services	161,995	94,102	53,681
2210 Improvement of Instruction Services	522,651	161,089	74,714
2240 Instructional Staff Development	1,054,957	213,266	84,552
2540 Operation and Maintenance of Plant Services	82,555	-	-
2570 Internal Services	67	-	-
2640 Staff Services	13,049	-	-
2660 Technology Services	5,060	-	-
Total Support Services Expenditures	\$ 1,952,464	\$ 515,308	\$ 246,212

Enterprise and Community Services

	Totals	Object 100	Object 200
3300 Community Services	\$ 184,455	\$ 85,630	\$ 27,040
Total Enterprise and Community Services	\$ 184,455	\$ 85,630	\$ 27,040

Grand Total

Grand Total	\$ 5,960,841	\$ 2,348,170	\$ 1,261,217
--------------------	---------------------	---------------------	---------------------

Object 300	Object 400	Object 500	Object 600
\$ -	\$ 375	\$ -	\$ -
196,947	7,732	-	50,740
412,922	103,879	-	247,369
45,508	5,373	-	17,880
\$ 655,377	\$ 117,359	\$ -	\$ 315,989

Object 300	Object 400	Object 500	Object 600
\$ 22,080	\$ 329	\$ -	\$ 9,223
-	-	-	229
-	153	-	-
6,902	1,818	-	5,492
55,602	179,949	23,580	27,717
662,793	39,260	-	55,086
5,802	-	76,753	-
-	67	-	-
2,773	10,276	-	-
5,060	-	-	-
\$ 761,012	\$ 231,852	\$ 100,333	\$ 97,747

Object 300	Object 400	Object 500	Object 600
\$ 19,330	\$ 35,975	\$ -	\$ 16,480
\$ 19,330	\$ 35,975	\$ -	\$ 16,480
\$ 1,435,719	\$ 385,186	\$ 100,333	\$ 430,216

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - DEBT SERVICE FUND

For the Year Ended June 30, 2022

Other Uses Expenditures

5100 Debt Service

	Totals	Object 600
	\$ 49,353	\$ 49,353
Total Other Uses Expenditures	\$ 49,353	\$ 49,353
	\$ 49,353	\$ 49,353

Grand Total

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - ENTERPRISE FUND

For the Year Ended June 30, 2022

Support Services Expenditures

2660 Technology Services

Total Support Services Expenditures

Totals	Object 100	Object 200
\$ 169,374	\$ 26,212	\$ 8,990
\$ 169,374	\$ 26,212	\$ 8,990

Other Uses Expenditures

5200 Transfers of Funds

Total Other Uses Expenditures

Totals	Object 100	Object 200
\$ 5,927,033	\$ -	\$ -
\$ 5,927,033	\$ -	\$ -

Grand Total

\$ 6,096,407	\$ 26,212	\$ 8,990
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Object 300	Object 400	Object 600	Object 700
\$ 132,687	\$ 1,484	\$ 1	\$ -
\$ 132,687	\$ 1,484	\$ 1	\$ -

Object 300	Object 300	Object 600	Object 700
\$ -	\$ -	\$ -	\$ 5,927,033
\$ -	\$ -	\$ -	\$ 5,927,033
\$ 132,687	\$ 1,484	\$ 1	\$ 5,927,033

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

EXPENDITURE SUMMARY - INTERNAL SERVICE FUND

For the Year Ended June 30, 2022

	Totals	Object 300	Object 400
Support Services Expenditures			
2570 Internal Services	\$ 26,319	\$ 22,554	\$ 3,765
Total Support Services Expenditures	\$ 26,319	\$ 22,554	\$ 3,765
Grand Total	\$ 26,319	\$ 22,554	\$ 3,765

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2022

Tax Year	Taxes Receivable July 1, 2021	2021-2022 Levy	Adjustments	Collections	Taxes Receivable June 30, 2022
Coos County					
2021-2022	\$ -	\$ 2,599,453	\$ (69,090)	\$ 2,446,501	\$ 83,862
2020-2021	87,228	-	(1,912)	47,564	37,752
2019-2020	43,184	-	(220)	21,491	21,473
2018-2019	26,661	-	(206)	18,334	8,121
2017-2018	11,926	-	(97)	9,447	2,382
2016-2017	6,413	-	(61)	4,327	2,025
2015-2016	6,423	-	(55)	5,660	708
Prior	5,310	-	(121)	756	4,433
Subtotal - Prior	187,145	-	(2,672)	107,579	76,894
Total Coos County	187,145	2,599,453	(71,762)	2,554,080	160,756
Curry County					
2021-2022	-	1,513,900	(41,219)	1,436,598	36,083
2020-2021	38,900	-	(250)	23,944	14,706
2019-2020	19,144	-	(141)	9,948	9,055
2018-2019	8,221	-	(96)	5,025	3,100
2017-2018	8,987	-	(832)	6,552	1,603
2016-2017	792	-	(274)	103	415
2015-2016	1,312	-	(143)	553	616
Prior	5,788	-	159	325	5,622
Subtotal - Prior	83,144	-	(1,577)	46,450	35,117
Total Curry County	83,144	1,513,900	(42,796)	1,483,048	71,200

(Continued)

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2022

(Continued)

Tax Year	Taxes Receivable July 1, 2021	2021-2022 Levy	Adjustments	Collections	Taxes Receivable June 30, 2022
Douglas County					
2021-2022	\$ -	\$ 230,875	\$ (6,282)	\$ 218,063	\$ 6,530
2020-2021	6,951	-	(71)	3,581	3,299
2019-2020	3,279	-	(50)	1,361	1,868
2018-2019	1,924	-	(37)	1,031	856
2017-2018	802	-	(36)	521	245
2016-2017	251	-	(36)	51	164
2015-2016	186	-	(26)	37	123
Prior	1,351	-	(32)	48	1,271
Subtotal - Prior	14,744	-	(288)	6,630	7,826
Total Douglas County	14,744	230,875	(6,570)	224,693	14,356
Total	<u>\$ 285,033</u>	<u>\$ 4,344,228</u>	<u>\$ (121,128)</u>	4,261,821	<u>\$ 246,312</u>
Add:					
Other taxes and interest				23,470	
Undistributed taxes with counties, July 1, 2021				<u>36,841</u>	
Total available				4,322,132	
Less: Turnovers to District				<u>(4,277,570)</u>	
Undistributed taxes with counties, June 30, 2022				<u>\$ 44,562</u>	

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

KOONTZ, BLASQUEZ
ASSOCIATES, 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, 2022, and have issued our report thereon dated December 29, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether South Coast Education Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Accounting records

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

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

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

State school fund factors and calculation

Accountability for collecting or receiving money by elected officials

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

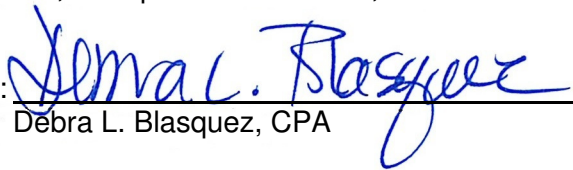
The District does not have any elected officials collecting or receiving money.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated December 29, 2022.

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, Blasquez & Associates, P.C.

By: 
Debra L. Blasquez, CPA

Albany, Oregon
December 29, 2022

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2022

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

	Objects 325, 326, and 327
Function 2540	\$ 31,250
Function 2550	\$ –

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

\$	–
----	---

Exclude these functions:

- 1113 Elementary Co-Curricular Activities
- 1122 Middle School Co-Curricular Activities
- 1132 High School Co-Curricular Activities
- 1140 Pre-Kindergarten
- 1300 Continuing Education
- 1400 Summer School
- 2550 Pupil Transportation
- 3100 Food Service
- 3300 Community Services
- 4150 Construction

SINGLE AUDIT SECTION

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Federal Grantor, Pass through Grantor, Program Title	Grant Period	CFDA	Expenditures
<u>U.S. Department of Education</u>			
Passed through Oregon State Department of Education			
Perkins Program			
Perkins Basic	2020-2022	84.048	\$ 232,711
Perkins Reserve	2020-2022	84.048	28,550
Middle School Career Exploration Pilot Project	2021-2021	84.048	2,837
Total Perkins Program			264,098
Title III - English Language	2020-2022	84.365	12,835
Elementary and Secondary School Emergency Relief Fund COVID-19 ESSER II	2020-2023	84.425D	53,780
School Emergency Operations Plan (EOP) School Emergency Operations Grant	2019-2022	84.184Q	111,748
Total passed through Oregon State Department of Education			442,461
Passed through Linn-Benton-Lincoln ESD			
Special Education Cluster (IDEA)*			
IDEA Part B Sect 611 - 5 to 21 yr. old	2021-2023	84.027A	240,292
ARP IDEA Part B Sect 611 - 5 to 21 yr. old	2021-2023	84.027X	53,743
IDEA Part B Sect 619 - 3 to 5 yr. old	2021-2023	84.173A	60,882
ARP IDEA Part B Sect 619 - 3 to 5 yr. old	2021-2023	84.173X	27,832
IDEA Part C - Birth to 2 yr. old	2021-2023	84.181A	72,252
ARP IDEA Part C - Birth to 2 yr. old	2021-2023	84.181X	31,492
IDEA Part B Sect 611	2021-2023	84.027A	431,888
ARP IDEA Part B Sect 611	2021-2023	84.027X	42,061
IDEA Part B Sect 619	2021-2023	84.173A	3,702
ARP IDEA Part B Sect 619	2021-2023	84.173	2,047
Total passed through Linn-Benton-Lincoln ESD			966,191
Total U.S. Department of Education			1,408,652
<u>U.S. Department of Human Services</u>			
Passed through Oregon State Department of Human Services			
Youth Transition Program	2021-2023	84.126A	244,923
Total federal expenditures			\$ 1,653,575

*Major program

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

I. PURPOSE OF SCHEDULE

The schedule of expenditures of federal awards is a supplementary schedule to South Coast Education Service District's basic financial statements and is presented for additional analysis. Because the schedule presents only a selected portion of the activities of the District, it is not intended to and does not present the financial position, changes in net position, nor the operating funds' revenues and expenditures.

II. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The information in the schedule of expenditures of federal awards is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

B. Federal Financial Assistance

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the schedule of expenditures of federal awards, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

C. Indirect Cost Rate

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

D. Major Programs

The Uniform Guidance establishes criteria to be used in defining major federal financial assistance programs. Major programs for the District are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes. The major program includes CFDA Nos. 84.027, 84.173, and 84.181 (*Special Education Cluster (IDEA)*).

SOUTH COAST EDUCATION SERVICE DISTRICT
Coos County, Oregon

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

II. SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Reporting Entity

The reporting entity is fully described in the notes to the District's basic financial statements. Additionally, the schedule of expenditures of federal awards includes all federal programs administered by the District for the year ended June 30, 2022.

F. Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting.

**KOONTZ, BLASQUEZ**
ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the remaining fund information of South Coast Education Service District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise South Coast Education Service District's basic financial statements, and have issued our report thereon dated December 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Coast Education Service District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Coast Education Service District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent misstatements, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-003, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Coast Education Service District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

South Coast Education Service District's Responses to Findings

Government Auditing Standards requires us to perform limited procedures on South Coast Education Service District's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Koontz, Blasquez & Associates, P.C.

By: _____



Debra L. Blasquez, CPA

Albany, Oregon
December 29, 2022

KOONTZ, BLASQUEZ
ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Coast Education Service District's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Coast Education Service District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Coast Education Service District and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of South Coast Education Service District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the compliance requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts and grant agreements applicable to South Coast Education Service District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South Coast Education Service District's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about South Coast Education Service District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding South Coast Education Service District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of South Coast Education Service District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of South Coast Education Service District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

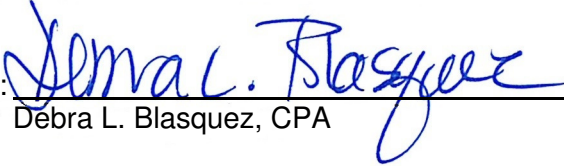
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Koontz, Blasquez & Associates, P.C.

By: 
Debra L. Blasquez, CPA

Albany, Oregon
December 29, 2022

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's opinion issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified not considered to be material weaknesses?	Yes
• Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.181	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding Number	Finding
2022-001	Misclassification of revenue.
Condition:	Transfers and grants were recorded as miscellaneous revenue.
Prevalence:	Entity-wide
Criteria:	Revenue items should be correctly categorized.
Questioned costs:	None
Effect:	The possibility of material misstatement to the financial statements exists.
Recommendations:	Auditor recommends that revenue is classified correctly.
Management's response:	Management concurs with the finding.

Finding Number	Finding
2022-002	CPA assistance in drafting financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).
Condition:	Although the District has staff with the ability to understand, review, and take responsibility for the financial statements required to comply with independence standards, the District has chosen to outsource preparation of the financial statements to external experts.
Prevalence:	Entity-wide
Criteria:	In an ideal situation, District staff would draft complete financial statements, including note disclosures, in accordance with GAAP.
Questioned costs:	None
Effect:	CPA assistance in drafting the financial statements does produce a significant deficiency in the District's internal control system.
Recommendations:	Auditor does not recommend any change in the preparation of the financial statements, but does recommend that management and the board of directors remain diligent in reviewing the financial statements and related note disclosures.
Management's response:	Management concurs with the finding.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding Number	Finding
2022-003	Worker's compensation expenses were understated.
Condition:	Worker's compensation expenses were not recorded.
Prevalence:	Entity-wide
Criteria:	Employee worker's compensation expenses were not updated for the fiscal year.
Questioned costs:	None
Effect:	Understatement of expenses and overstatement of prepaids.
Recommendations:	Auditor recommends prepaid balances be monitored during the year.
Management's response:	Management concurs with the finding.

SECTION III – CORRECTIVE ACTION

Finding Number	Corrective Action
2022-001	The District recognizes the limited understanding of staff related to the transaction in question, confirming that a transfer was required in lieu of the revenue coding change. Training and oversight of new personnel will correct these situations moving forward.
2022-002	The District considers the cost of staffing the financial expertise to correct this deficiency to outweigh the benefit, and has determined that it is more beneficial to continue to outsource these matters to external experts.
2022-003	The District discovered the deduction rate being unchanged during fieldwork and disclosed this to the audit staff. This step has been added to the annual payroll setup checklist to avoid future occurrences.

SECTION IV – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding Number	Finding
2021-001	Missing valuation information for implicit rate subsidy for retiree health benefits.
2021-002	CPA assistance in drafting financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

SECTION V – STATUS OF PRIOR YEAR FINDINGS

Finding Number	Status
2021-001	Corrected this fiscal year.
2021-002	Repeat finding this year (2022-002).