

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

BOARD OF EDUCATION

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June 30, 2021

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400 E. Scenic Drive, Suite 207

The Dalles, OR 97058

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	6-11
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Proprietary Net Position	20
Statement of Revenues, Expenses and Changes in Proprietary Net Position	21
Statement of Cash Flows – Proprietary Fund	22
Notes to the Basic Financial Statements	23-37
REQUIRED SUPPLEMENTARY INFORMATION:	
Oregon Public Employees Retirement System Schedules - District's Proportionate share of the Net Pension Liability and District Contributions	40
Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund – Actual and Budget	41
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Grants Fund – Actual and Budget	42
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Migrant Education Fund	43
Notes to the Required Supplementary Information	44
SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet – Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	47
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:	
Rainy Day Fund	48
Van/Equipment Replacement Fund	49
Copy Services Fund	50
Schedule of Property Tax Transactions and Balances of Taxes Uncollected	51
Revenue Summary by Function – All Governmental Funds	52
Expenditures by Function/Object – General Fund	53
Expenditures by Function/Object – Special Revenue Funds	54
Expenditures by Function/Object – Capital Projects Funds	55
Expenditures by Function/Object – Internal Service Funds	56
Oregon Department of Education Supplemental Information, Form 581-3211	57
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS:	
Audit Comments and Disclosures Required by State Regulations	60-61

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

TABLE OF CONTENTS

GRANT COMPLIANCE SECTION:

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	64-65
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	66-67
Schedule of Expenditures of Federal Awards	68
Summary Schedule of Findings and Questioned Costs	69



To the School Board
Columbia Gorge Education Service District
Wasco County, Oregon

INDEPENDENT AUDITORS' REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Oregon Public Employees Retirement System Schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Additionally, accounting principles generally accepted in the United States of America require that the General Fund, Grants Fund, and Migrant Education Fund budgetary comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund, Grants Fund, and Migrant Education Fund budgetary comparison are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as defined in the table of contents, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Reports on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 29, 2018, on our consideration of the District's internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grants, 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 internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 29, 2018

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COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

As management of the Columbia Gorge Education Service District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. Comparison to prior year data has also been provided for all key financial information.

Financial Highlights

The operations of Columbia Gorge ESD, and the corresponding revenue to fund our programs, depend upon revenue from three primary sources: local property taxes, state school fund, and grants and contracts for the operation of specific programs. For the fiscal year ended June 30, 2018, the adopted budget estimated these amounts to be \$1,950,000 from local property taxes; \$1,528,948 from the state school fund; \$1,717,777 in grants and contracts; and \$512,000 for migrant education;. With the continued stability and growth in the state's economy, it was anticipated that these projections would be relatively accurate over the course of the fiscal year. This was indeed the case and regional enrollment was relatively stable. Local property tax collections were \$88,723 above projections, which was offset by a decline of \$175,044 in state school funds.

The District's non-general fund program budgets increased in relation to budget projections requiring the Board of Directors to adopt two supplemental budgets. The District received new grants to hire two Teachers on Special Assignment (TOSAs) that allowed the District to provide additional resources to component district teachers. The District also hired an Evaluation Specialist to assist Wasco County Districts with special education eligibility determinations. Additional Migrant Education funds required the hiring of staff to increase graduation rates of high school students and help parents of preschool children prepare their children for kindergarten. The contract with Oregon Department of Education (ODE) through David Douglas School District for operation of the District's early intervention/early childhood special education program was approximately \$77,783 lower than the budgeted amount; however, staffing and service levels were maintained while the program grew in numbers of children needing services.

The 2017-18 Local Service Plan was developed by the component school district superintendents and adopted by the CGESD Board of Directors. It was subsequently approved by each component district and was based on fees for requested services, i.e., menu approach. The specific services to be provided to each local district were formalized in a series of intergovernmental agreements between the ESD and each local district specifying the services the ESD would provide as well as the cost of each service. The remainder of ESD funds after service requests had been fulfilled was available to each district as "flow-through" funds for any purpose identified by the school district board. The total was \$1,091,060. Hood River County School District returned \$771,639 of invoiced services and flow-through funds to the District; they plan to request those funds in the 2019-20 fiscal year to be used for curriculum purchases.

The District continued offering a public preschool experience for children without other readily available options. The program focuses on serving three, four and five year olds and a total of 56 children were served over the course of the year. The preschool utilizes an inclusive, "mixed delivery" model. In this model children from our different programs (tuition-based, migrant, early childhood special education) were attending in the same classroom at the same time with the same teacher. A separate classroom is maintained for children needing intensive intervention prior to transitioning to the inclusive classroom. This model proved to be a very effective way to utilize the skills of staff members from several programs and to leverage the costs across all programs while providing a high quality educational experience for children. A very important key to the success of this model was the decision of the CGESD Board of Directors to hire a program administrator specifically for the preschool and migrant education programs.

- The net position in the government-wide financial statements was (\$515,157). Of this amount, \$38,208 was invested in capital assets, \$169,063 restricted, and the remainder, (\$722,428), is unrestricted and available to meet the District's ongoing obligations to local component school districts, citizens, and creditors.
- The District decreased its net position by \$189,683 during the year ended June 30, 2018.
- As of June 30, 2018, the District's governmental funds reported a combined ending fund balance of \$768,554, an increase of \$11,810. Approximately 75% of this total amount, \$572,993, is available for general fund programs during the 2018-19 fiscal year.
- As of June 30, 2018, the unassigned fund balance for the General Fund was \$535,800, or approximately 13 percent, of the combined general fund expenditures and other financing uses totaling \$4,142,012. This is an increase of \$316,280 compared to the unassigned fund balance as of June 30, 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Columbia Gorge Education Service District. The basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) proprietary fund financial statements, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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 of 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 Columbia Gorge Education Service 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).

Both government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Columbia Gorge Education Service District has governmental activities, which include instruction, and supporting services. The District's business activities consist of one proprietary fund type (internal service fund) which provides an accounting mechanism for revenues and expenses relative to copying services provided by the District.

The government-wide financial statements can be found on pages 14-15 of this report.

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 Columbia Gorge Education Service District are divided into two categories: governmental funds and proprietary funds (internal service fund).

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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Columbia Gorge Education Service District maintained three different individual major governmental funds for the 2017-2018 fiscal year. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the special revenue grants fund, both of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds are used to account for a government's business-type activities. The District performs internal governmental type services for central activities within Columbia Gorge ESD. The financial activities are recorded in an internal service fund.

Internal service funds are accounting devices used to accumulate and allocate costs internally. The internal service fund financial statements provide the information for governmental-type activities.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Notes to the 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 23-37 of this report.

Columbia Gorge Education Service District annually adopts a budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with the related budgets. Budgetary comparisons for major funds can be found on pages 41-42 of this report. Budgetary comparisons for non-major funds are found on pages 48-50.

Other Financial Schedules to assist the reader can be found on pages 51-57 of this report.

Government-Wide Financial Analysis

Statement of Net Position: As noted earlier, the statement of net position may serve over time as a useful indicator of a government's financial position. Net position includes the remaining assets after the liabilities have been paid or otherwise satisfied. The statements include all assets and liabilities using the accrual basis of accounting similar to the accounting basis used by most private sector companies. The accrual basis of accounting recognizes the increases or decreases in economic resources as soon as the underlying event occurs. Consequently, revenues are recognized as soon as they are earned and expenses are recognized as soon as the liability is incurred, regardless of the timing of the related cash inflows and outflows. The District's assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by \$515,157 as of June 30, 2018.

Current and other assets consist mainly of investments, cash, receivables (grants and property taxes), and prepaid expenses and represent \$2,356,416 or 98.4% of total assets. The remaining assets are capital assets, which consist of the District's equipment and vehicles, and represent \$38,208, or 1.6% of total assets.

Current liabilities consist of accounts payable, amounts due to districts, accrued payroll items, and unearned revenue. Noncurrent liabilities are the proportionate share of net pension liability. As June 30, 2018, the proportionate share of net pension liability was \$2,811,619 or about 66% of total liabilities.

A summary of the District net position as of June 30, 2018, compared to June 30, 2017 is presented below.

Condensed Statement of Net Position

	Governmental Activities June 30, 2018	Governmental Activities June 30, 2017	Increase (Decrease)
Assets			
Current and other assets	\$ 2,356,416	\$ 1,468,858	\$ 887,558
Net capital assets	38,208	54,438	(16,230)
Total assets	<u>2,394,624</u>	<u>1,523,296</u>	<u>871,328</u>
Deferred Outflows of Resources			
Pension	<u>1,399,818</u>	<u>1,725,244</u>	<u>(325,426)</u>
Total deferred outflows of resources	<u>1,399,818</u>	<u>1,725,244</u>	<u>(325,426)</u>
Liabilities			
Current liabilities	1,458,105	578,931	879,174
Noncurrent liabilities	<u>2,811,619</u>	<u>2,943,124</u>	<u>(131,505)</u>
Total liabilities	<u>4,269,724</u>	<u>3,522,055</u>	<u>747,669</u>
Deferred Inflows of Resources			
Pension	<u>39,875</u>	<u>51,959</u>	<u>(12,084)</u>
Total deferred inflows of resources	<u>39,875</u>	<u>51,959</u>	<u>(12,084)</u>
Net Position			
Net Investment in Capital Assets	38,208	54,438	(16,230)
Restricted	169,063	337,995	(168,932)
Unrestricted	<u>(722,428)</u>	<u>(717,907)</u>	<u>(4,521)</u>
Total Net Position	<u>\$ (515,157)</u>	<u>\$ (325,474)</u>	<u>\$ (189,683)</u>

At the end of the 2017-2018 fiscal year, the District's net position decreased by \$189,683 compared to the 2016-2017 fiscal year, as a result of the proportionate share of Net Pension Liability.

The Statement of Activities: As noted earlier, the statement of activities presents information showing the changes in the District's net position over the fiscal year period. Revenue, expenses and other transactions that increase or reduce net position are traced for the fiscal year period. 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).

A summary of the District changes in net position for the fiscal year ending June 30, 2018, compared to June 30, 2017, is presented below.

Condensed Statement of Activities

	Governmental Activities June 30, 2018	Governmental Activities June 30, 2017	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services	\$ 495,066	\$ 419,790	\$ 75,276
Operating Grants & Contributions	2,390,480	1,752,746	637,734
Total Program Revenues	<u>2,885,546</u>	<u>2,172,536</u>	<u>713,010</u>
General Revenues			
Property Taxes	2,020,392	1,919,618	100,774
State School Fund	1,542,733	1,400,317	142,416
Interest and Investment Earnings	15,692	14,248	1,444
Other Local Sources	195,710	122,451	73,259
Total General Revenues	<u>3,774,527</u>	<u>3,456,634</u>	<u>317,893</u>
Total Revenues	<u>6,660,073</u>	<u>5,629,170</u>	<u>1,030,903</u>
Expenses			
Instruction	2,019,345	1,675,751	343,594
Support Services	3,426,879	3,012,605	414,274
Interagency Transfers	1,403,532	1,347,477	56,055
Total Expenses	<u>6,849,756</u>	<u>6,035,833</u>	<u>757,868</u>
Change in Net Position	(189,683)	(406,663)	216,980
Net Position, Beginning of Year	<u>(325,474)</u>	<u>81,189</u>	<u>(406,663)</u>
Net Position, End of Year	<u><u>\$ (515,157)</u></u>	<u><u>\$ (325,474)</u></u>	<u><u>\$ (189,683)</u></u>

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.

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 measure of the District's net resources available for spending at the end of the fiscal year.

At the end of the 2017-2018 fiscal year, the District's governmental funds reported combined ending fund balances of \$768,554. This amount includes nonspendable fund balances of \$37,193 allocated to various prepaid expenses, \$169,063 restricted for state and federal grant purposes, \$26,498 committed for capital projects, leaving the remaining balance of \$535,800 as *unassigned fund balance*, to support and enhance services provided local school districts for the 2018-2019 fiscal year.

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$535,800 compared to \$375,277 at the beginning of the fiscal year.

Many state and federal grant periods do not coincide with the District's fiscal year, either ending early in the fiscal year or continuing through the subsequent fiscal year. As a result, the special revenue grants fund restricted fund balance increased by \$33,515 from \$121,874 to \$155,389. The fund balance of the special revenue grants fund is restricted for the purpose of achieving the objectives of the specific grants.

General Fund Budgetary Highlights

Our adopted General Fund budget with revisions resulted in a positive variance of \$19,401 in Instruction Services appropriations, \$147,316 in Support Services appropriations, \$1,000 in Debt Service appropriations, and \$100,000 in unused Contingency appropriations.

Capital Assets

As of June 30, 2018, the District had invested \$38,208 in capital assets, net of depreciation. The District's investment in capital assets includes equipment and vehicles. More detailed information is presented in the notes to the basic financial statements.

Economic Factors and Next Year's Budget

The 2018-19 fiscal year is the first year of the Legislature's biennial budget cycle. As such, along with the continued economic growth of the state, it is anticipated that funding for most programs will be stable if not increased. The General Fund of Columbia Gorge Education Service District is 90% dependent upon funds provided by the State through the state school fund allocation formula. This formula primarily includes local property taxes and state school support funds from state income tax collections. It is based on the enrollment, average daily membership-weighted (ADMw), of the component school districts. For 2018-19 we anticipate modest enrollment growth region-wide (about 30 students) and about 10% percent increase in funding per student from \$335 to \$368.

The 2018-19 Local Service plan as adopted by the CGESD Board of Directors and subsequently approved by each component district, will continue to use a fee for service model. As a result, there will be some expansion of services as requested by local districts. For example, funds were budgeted for the hiring of a school psychologist to serve the Wasco County schools, a contractor to write and coordinate funding opportunities for regional grants and initiatives, and funds to support an online learning program.

It is anticipated that other non-general fund programs and their corresponding budgets will remain relatively stable as well. The contract with Oregon Department of Education through the David Douglas School District for operation of the District's early intervention/early childhood special education program showed a decrease in spite of a statewide increase to the fund because the growth rate in Wasco County was less than the state wide growth rate in this program. An increase in growth in 2019-20 along with a new distribution correction that could bring the program up to the budgeted level is being discussed. In addition, the intergovernmental agreement and contract with Oregon Department of Administrative Services through Sherman County for coordination of the Four Rivers Early Learning Hub (which includes Gilliam, Hood River, Sherman, Wasco and Wheeler Counties) will continue in 2018-19. This program was expanded by the addition of the Oregon Parenting Education Coalition Grant resulting in new personal and programming for the region. It is also anticipated that CGESD will be asked by Oregon's Chief Education Office to continue to serve as the regional "backbone" organization for the Columbia Gorge Science, Technology, Engineering and Math (STEM) Hub. CGESD is the designated "fiscal" agent for state and local funds received. CGESD is able to charge an indirect cost rate to cover the administrative time required by CGESD to serve as the backbone organization. Administration and staff at CGESD are continuing to seek external contracts and grants that provide an indirect rate to offset associated costs of running programs that expand services that support education in the communities we serve.

Finally, the 2018-19 employer rates to fund Oregon's Public Employees Retirement System (PERS) for Tier 1 and 2 employees will be unchanged from the prior year. However, preliminary projections are for significant increases in the five to six percent range for 2019 and beyond.

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COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2018

ASSETS:	
Cash and Cash Equivalents	\$ 864,226
Property Taxes and Other Receivables	1,454,997
Prepaid Expenses	37,193
Capital Assets Being Depreciated, Net of Depreciation	<u>38,208</u>
Total Assets	<u>2,394,624</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension	<u>1,399,818</u>
Total Deferred Outflows of Resources	<u>1,399,818</u>
LIABILITIES:	
Accounts Payable	543,146
Due to School Districts	420,210
Accrued Payroll, Taxes, and Employee Withholdings	369,712
Unearned Revenue	125,037
Proportionate Share of Net Pension Liability	<u>2,811,619</u>
Total Liabilities	<u>4,269,724</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension	<u>39,875</u>
Total Deferred Outflows of Resources	<u>39,875</u>
NET POSITION:	
Net Investment in Capital Assets	38,208
Restricted Net Position	169,063
Unrestricted Net Position	<u>(722,428)</u>
Net Position	<u>\$ (515,157)</u>

See notes to the basic financial statements.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

FUNCTIONS	EXPENSES	FUNCTION REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 2,019,345	\$ 63,060	\$ 1,747,839	\$ (208,446)
Support Services	3,426,879	432,006	642,641	(2,352,232)
Interagency Transfers	1,403,532	-	-	(1,403,532)
Total Governmental Activities	<u>\$ 6,849,756</u>	<u>\$ 495,066</u>	<u>\$ 2,390,480</u>	<u>(3,964,210)</u>

General Revenues and Transfers

Taxes:

Property Taxes, Levied for General Purposes	2,020,392
State Revenue Sharing	1,542,733
Interest and Investment Earnings	15,692
Miscellaneous	<u>195,710</u>

Total General Revenues and Transfers 3,774,527

Changes in Net Position (189,683)

Net Position - Beginning (325,474)

Net Position - Ending \$ (515,157)

See notes to the basic financial statements.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	GENERAL FUND	SPECIAL REVENUE GRANTS FUND	MIGRANT EDUCATION FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
ASSETS:					
Cash and Investments	\$ 806,540	\$ -	\$ -	\$ 40,187	\$ 846,727
Receivables:					
Accounts and grants	145,642	808,762	372,062	-	1,326,466
Taxes	118,233	-	-	-	118,233
Taxes - Cash with County Treasurer	10,298	-	-	-	10,298
Due From Other Funds	868,577	-	-	-	868,577
Prepaid Expense	37,193	-	-	-	37,193
Total Assets	\$ 1,986,483	\$ 808,762	\$ 372,062	\$ 40,187	\$ 3,207,494
LIABILITIES:					
Due to Other Funds	\$ -	\$ 588,188	\$ 280,389	\$ -	\$ 868,577
Accounts Payable	511,176	12,648	19,173	15	543,012
Due to Districts	420,210	-	-	-	420,210
Payroll Liabilities	369,712	-	-	-	369,712
Unearned Revenue	-	52,537	72,500	-	125,037
Total Liabilities	1,301,098	653,373	372,062	15	2,326,548
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	112,392	-	-	-	112,392
Total Deferred Inflows of Resources	112,392	-	-	-	112,392
FUND BALANCE:					
Nonspendable	37,193	-	-	-	37,193
Restricted	-	155,389	-	13,674	169,063
Committed	-	-	-	26,498	26,498
Unassigned	535,800	-	-	-	535,800
Total Fund Balance	572,993	155,389	-	40,172	768,554
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,986,483	\$ 808,762	\$ 372,062	\$ 40,187	\$ 3,207,494

See notes to the basic financial statements.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Net Position - Governmental Funds		\$	768,554
Capital assets are not financial resources and therefore are not reported in the governmental funds.			
Cost		\$	221,494
Accumulated Depreciation			<u>(183,286)</u>
			38,208
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.			
			112,392
The proportionate share of the net pension liability is not reported as a liability in the governmental funds.			
			(2,811,619)
Pension payments recoded as expenses in the governmental funds must be reported as deferred outflows of resources in the Statement of Net Position.			
			1,399,818
The amortization of the proportionate share of the gain on pension investments is not reported in the governmental funds.			
			(39,875)
Internal Service Funds are reported separately as Proprietary Funds and not included on the Governmental Balance Sheet. This amount represents the Net Position of the Internal Service Fund.			
			<u>17,365</u>
Net Position		\$	<u><u>(515,157)</u></u>

See notes to the basic financial statements.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2018

REVENUES:	GENERAL	SPECIAL REVENUE GRANTS FUND	MIGRANT EDUCATION FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
Local Sources					
Property taxes	\$ 2,023,787	\$ -	\$ -	\$ -	\$ 2,023,787
Charges for services	249,026	72,276	-	-	321,302
Contributions and donations	-	10,637	-	966	11,603
Grants and contracts	173,764	-	-	-	173,764
Investment earnings	15,690	-	-	2	15,692
Miscellaneous	98,807	74,521	-	-	173,328
From State Sources	1,542,733	1,452,472	-	-	2,995,205
From Federal Sources	15,547	66,989	860,382	-	942,918
Total Revenues	<u>4,119,354</u>	<u>1,676,895</u>	<u>860,382</u>	<u>968</u>	<u>6,657,599</u>
EXPENDITURES:					
Current:					
Instruction	126,559	956,017	860,382	15	1,942,973
Support Services	2,611,921	687,363	-	-	3,299,284
Total Expenditures	<u>2,738,480</u>	<u>1,643,380</u>	<u>860,382</u>	<u>15</u>	<u>5,242,257</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,380,874</u>	<u>33,515</u>	<u>-</u>	<u>953</u>	<u>1,415,342</u>
OTHER FINANCING SOURCES (USES)					
Payments to School Districts	<u>(1,403,532)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,403,532)</u>
Total Other Financing Sources (Uses)	<u>(1,403,532)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,403,532)</u>
Net Change in Fund Balance	(22,658)	33,515	-	953	11,810
Beginning Fund Balances	<u>595,651</u>	<u>121,874</u>	<u>-</u>	<u>39,219</u>	<u>756,744</u>
Ending Fund Balances	<u>\$ 572,993</u>	<u>\$ 155,389</u>	<u>\$ -</u>	<u>\$ 40,172</u>	<u>\$ 768,554</u>

See notes to the basic financial statements.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Total Net Changes in Fund Balances - Governmental Funds	\$	11,810
<p>Capital Outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays.</p>		
Depreciation Expense	\$	<u>(16,100)</u>
		(16,100)
<p>Internal Service Funds are reported separately as Proprietary Funds and not included on the Governmental Statement of Revenues, Expenditures and Changes in Fund Balance. This amount represents the change in Net Position of the Internal Service Fund.</p>		
		(161)
<p>Accrual of the proportionate share of the net pension liability is not reported as an expenditure in the governmental funds.</p>		
		(181,837)
<p>Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes a deferred revenue for all property taxes levied but not received, however in the Statement of Activities, there is no deferred revenue and the full property tax receivable is accrued.</p>		
		<u>(3,395)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(189,683)</u></u>

See notes to the basic financial statements.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

STATEMENTS OF PROPRIETARY NET POSITION
June 30, 2018

INTERNAL SERVICE FUND

ASSETS:

Current:

Cash and Investment

\$ 17,499

Total Assets

\$ 17,499

LIABILITIES:

LIABILITIES:

Current

Accounts Payable

\$ 134

Total Liabilities

134

NET POSITION:

Unrestricted

17,365

Net Position

\$ 17,365

See notes to the basic financial statements.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
PROPRIETARY NET POSITION
For the Year Ended June 30, 2018

INTERNAL SERVICE FUND

Operating Revenues:	
Fees Paid by Departments	\$ 5,869
Total Operating Revenues	<u>5,869</u>
Operating Expenses:	
Support Services	5,900
Depreciation	<u>130</u>
Total Operating Expenses	<u>6,030</u>
Operating Income (Loss)	(161)
Beginning Net Position	<u>17,526</u>
Ending Net Position	<u><u>\$ 17,365</u></u>

See notes to the basic financial statements.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2018

INTERNAL SERVICE FUND

Cash Flows From Operating Activities:

Operating Income - Interfund Services	\$	(161)
Adjustments:		
Depreciation		130
Increase in Payables		<u>(828)</u>
Net Cash Provided by Operating Activities		<u>(859)</u>
Net Change in Cash and Cash Equivalents		(859)
Cash and Cash Equivalents - Beginning of Year		<u>18,358</u>
Cash and Cash Equivalents - End of Year	\$	<u><u>17,499</u></u>

See notes to the basic financial statements.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the district have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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.

FINANCIAL REPORTING ENTITY

Columbia Gorge Education Service District (the District) is a municipal corporation governed by a seven-member elected board. Each member serves a four-year term. The District was organized under provisions of Oregon Revised Statutes Chapter 334, for the purpose of operating an education service district. The District qualifies as a primary government since it has a separately elected body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special districts, which provide service within the District's boundaries, however, the District is not financially accountable for any of these entities, and therefore none of them are considered component units or included in these basic financial statements.

The more significant of the District's accounting policies are described below.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase or use goods, services, or privileges provided by a given function, 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 governmental funds and proprietary funds. The Statement of Proprietary Net Position, Statement of Revenue, Expenses, and Changes in Proprietary Net Position and the Statement of Cash Flows show the financial position and the respective changes in financial position and cash flows for the internal service fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

FUND FINANCIAL STATEMENTS

The accounts are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District reports the following major governmental funds:

General - Accounts for the general operations of the District. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund's resources are available to the District for any purpose provided they are expended or transferred according to a resolution of the District and/or the general laws of Oregon.

Special Revenue Grants Fund - Accounts for revenues and expenditures of grants restricted for specific projects. Principal revenue sources are federal and state grants.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Migrant Education Fund – Accounts for revenues and expenditures specifically for Migrant Education programs. The principal sources of revenues are federal grants.

Additionally, the district reports the following fund types:

Proprietary Fund Type - Internal Service – The Copy Services Fund was created to record expenses related to the reproduction of printed materials for the various departments. The principal source of funds are fees from these departments.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which value is received without giving value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, certain programs are funded by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. All revenues reported in the governmental funds are considered to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary fund is an Internal Service Fund. The Internal Service Fund employs the economic resources measurement focus and the accrual basis of accounting.

BUDGETS

A budget is prepared and legally adopted for each governmental fund type and internal service fund on the modified accrual basis of accounting. The agency fund is not required to be budgeted. The budgetary basis of accounting is the same as accounting principles generally accepted in the United States of America basis for the governmental fund types, proprietary fund type and private purpose trust fund type.

The District begins its budgeting process by appointing budget committee members in early fall of each year. Budget recommendations are developed through early spring and the Budget Committee approves the budget in late spring. Public notices of the budget hearing are generally published in June and a public hearing is held in late June. The budget is adopted, appropriations are made, and the tax levy is declared no later than June 30.

Expenditures are appropriated at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. Expenditures generally cannot legally exceed these function level appropriations. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular meeting. A supplemental budget greater than 10% of the 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. The District had two supplemental budgets this year. Appropriations lapse at year-end.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Except for expenditures exceeding appropriations in the amount of \$182,232 in the Transfers function of the General Fund and \$29,163 in the Instruction function of the Migrant Education Fund all other expenditures were within appropriations.

CASH AND INVESTMENTS

The District considers investments with maturities of three months or less when purchased to be cash equivalents.

Investments in the State of Oregon Treasurer's Local Government Investment Pool (LGIP) are stated at cost which approximates fair value. Fair value in the LGIP is the same as the value of its pool shares. Other investments with maturities greater than three months at the time of purchase are stated at cost which approximates fair value.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short Term Fund (OSTF), which was established by the State Treasurer. OSTF is not subject to SEC regulation. OSTF is subject to requirements established in Oregon Revised Statutes, investment policies adopted by the Oregon Investment Council, and portfolio guidelines established by the Oregon Short Term Fund Board. The Governor appoints the members of the Oregon Investment Council and the Oregon Short Term Fund Board. The OSTF issues a separate independent financial statement which can be obtained at The Office of the State Treasurer, 350 Winter Street NE, Suite 100, Salem, Oregon. The credit quality rating of this pool is unrated.

PROPERTY TAXES RECEIVABLE

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 distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

Uncollected property taxes are recorded on the statement of net position. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

ACCOUNTS AND GRANT RECEIVABLES

Accounts and grant receivables are comprised primarily of David Douglas School District, Portland Public School, Sherman County, South Wasco School District and Dufur School District. District receivables and claims for reimbursement of costs under various federal and state grants. Unreimbursed grant expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as deferred revenue.

INTERFUND RECEIVABLES/PAYABLES

The District maintains a cash pool that is available for use by all funds. The cash pool account is maintained in the General Fund, while activity between funds utilizing this cash account is referred to as Due to/from Other Funds in each fund at the end of each fiscal year in the fund basis financial statements. All interfund loan balances are considered current and are eliminated in the government-wide financial statements.

SUPPLY INVENTORIES

Purchased material is valued at cost using the first-in, first-out (FIFO) method. Any donated inventories are valued at their estimated fair market value. The cost of inventory items are recognized as expenditures when purchased (purchase method). There were no material inventories on hand as of June 30, 2018.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS

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

Buildings and improvements	10 to 50 years
Vehicle and Equipment	5 to 30 years

FUND EQUITY

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District Board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District's Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Note 9 includes a detail of each of these fund balance classifications by fund. Proprietary fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

INTERFUND TRANSACTIONS

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. This includes transfers occurring within governmental activities and interfund receivables and payables.

Internal Service Fund revenues and expenses are netted and the net amount is charged back to the appropriate function under program expenses in the Statement of Activities.

RETIREMENT PLANS

Most of the District employees participate in Oregon Public Employees Retirement System (PERS). For the purpose of measuring the pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and addition to/deductions from PER's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in according with benefit terms. Investments are reported at fair value. PERS requires plan contributions on a current basis. Contributions are recorded as expenditures in individual funds as funded. The District also offers its employees tax deferred annuity plans established pursuant to Section 403(b) and Section 457(b) of the Internal Revenue Code.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NET POSITION

Net position comprises the various net earnings from operations, non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three categories:

Net investment in capital assets – consists of all capital assets, net of accumulated depreciation.

Restricted net position – consists of external constraints used by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There are net assets restricted for federal and state grants and medical assistance

Unrestricted net position – consists of all other assets that are not included in the other categories previously mentioned.

DEFERRED OUTFLOWS/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 represents a consumption of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources for pension related amounts in the 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 represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District reports deferred inflows of resources for pension related amounts in the statement of activities. The District also reports deferred inflows of resources for unavailable revenue from property taxes in the General Fund on the governmental funds balance sheet.

NOTE 2 – CASH AND INVESTMENTS

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported on the Combined Balance Sheet as Cash and Investments or Due to/from Other Funds.

Cash and investments at June 30, 2018, (recorded at fair value) consisted of:

Deposits with Financial Institutions	\$	181,313
Investments		682,913
	\$	<u>864,226</u>

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

DEPOSITS

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Insurance and collateral requirements for the deposits are established by federal banking regulations and Oregon law. State statutes require that the District's deposits be covered by the Federal Deposit Insurance Corporation (FDIC) or by a multiple financial institution collateral pool under ORS 295.015 which is administered by the State of Oregon Office of the Treasury.

Deposits with financial institutions include primarily bank demand and money market deposits. The balances in these accounts according to the District's records total \$181,313 on June 30, 2018. The bank statement records reflect a balance of \$196,857 at year end. All balances are covered by the FDIC's general deposit insurance rules. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of State Treasurer. As a result the District has no exposure to custodial credit risk for deposits with financial institutions.

INVESTMENTS

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool.

Investment Type	Fair Value	Investment Maturities (in Months)	
		Less than 3	More than 3
State Treasurer's Investment Pool	\$ 682,913	\$ 682,913	\$ -
	<u>\$ 682,913</u>	<u>\$ 682,913</u>	<u>\$ -</u>

Interest Rate Risk – Investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments. The Oregon State Treasurer's Local Government Pool (LGIP) is subject to regulatory oversight by the Oregon Secretary of State and is not required to be categorized b risk. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares. The Oregon State Treasurer maintained the Oregon Short-Term Fund, of which the LGIP is a part. It is not registered with the U.S. Securities and Exchange Commission. The Fund currently has no credit rating as assigned by the credit rating agencies. On June 30, 2018 the fund's composite weighted rating was equivalent to S&P's AA ratings. The State's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB) and approved by the Oregon Investment Council (ORS 294.805 to 294.895).

As of June 30, 2018 and for the year then ended, the District was in compliance with the State of Oregon statutes regarding investments as discussed under Note 1.

NOTE 3 – PROPERTY TAXES AND OTHER RECEIVABLES

Special revenue fund grants receivable are comprised of claims for reimbursement of costs under various federal and state grant programs. Property taxes are levied and become a lien on all taxable property as of July 1. Taxes unpaid and outstanding on May 16 are considered delinquent. No allowance for uncollectible accounts has been recorded because all receivables are considered to be collectible by management.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets for the year ended June 30, 2018 follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Funds				
Equipment and Vehicles	\$ 221,494	\$ -	\$ -	\$ 221,494
Less: Accumulated Depreciation	(167,186)	(16,100)	-	(183,286)
Total Governmental Funds	54,308	(16,100)	-	38,208
Proprietary Fund				
Equipment and Vehicles	24,473	-	-	24,473
Less: Accumulated Depreciation	(24,343)	(130)	-	(24,473)
Total Proprietary Fund	130	(130)	-	-
Total Capital Assets, Net	<u>\$ 54,438</u>	<u>\$ (16,230)</u>	<u>\$ -</u>	<u>\$ 38,208</u>

Governmental depreciation was allocated to the functions as follows:

Instruction	\$ -
Support Services	(16,230)
	<u>\$ (16,230)</u>

NOTE 5 – STATE WIDE LOCAL GOVERNMENT RETIREMENT SYSTEM

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

PLAN DESCRIPTION

The District participates in the Oregon Public Employees Retirement System (OPERS), a single cost-sharing multiple-employer defined benefit plan. OPERS provides retirement, disability, and death benefits to plan members and their beneficiaries.

All benefits of OPERS are established by the Oregon Legislature pursuant to Oregon Revised Statutes (ORS) Chapters 238 and 238A. The plan complies with Internal Revenue Service rules prescribed in 401(a). The Oregon Legislature has delegated the authority to the Public Employees Retirement Board (PERB) to administer and manage the system. OPERS issues a publicly available financial report that can be obtained at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

OPERS prepares their financial statements in accordance with GASB statements and generally accepted accounting principles. The accrual basis of accounting is used for all funds. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits are recognized in the month they are earned and withdrawals are recognized in the month they are due and payable. Investments are recognized at fair value, the amount at which financial instruments could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – STATE WIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)

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

The 1995 Legislature created a second tier of benefits for those who became OPERS Program members after 1995 but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

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

1. TIER ONE/TIER TWO RETIREMENT BENEFIT (CHAPTER 238)

PENSION BENEFITS

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

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

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

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 ten 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 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.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – STATE WIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)

BENEFIT CHANGES AFTER RETIREMENT

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP PENSION PROGRAM (CHAPTER 238A)

PENSION BENEFITS

The OPSRP 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. For general service employees benefits are calculated with the following formula: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

DEATH BENEFITS

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

DISABILITY BENEFITS

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

BENEFIT CHANGES AFTER RETIREMENT

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2017 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. CONTRIBUTIONS

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. Employer contributions for the year ended June 30, 2018 were \$477,031, excluding amounts to fund employer specific liabilities. In addition approximately, \$116,995 in employee contributions were paid by the district on behalf of employees for the year ended June 30, 2018. The contribution rates in effect for the fiscal year ended June 30, 2018 for Tier 1/Tier 2 and OPSRP were 27.20% and 21.87% respectively.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 5 – STATE WIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2018, the District reported a liability of \$2,811,619 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The District's proportion of the net pension liability was based on the District's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers, actuarially determined. At June 30, 2017 the District's proportion was .02085765%.

For the year ended June 30, 2018, the District recognized a pension expense of \$181,837. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 135,971	\$ -
Changes of assumptions	512,508	-
Net difference between projected and actual earnings on investments	28,966	-
Changes in proportionate share	92,532	39,875
Differences between employer contributions and employer's proportionate share of system contributions	154,158	-
District contributions subsequent to the measurement date	475,683	-
Net deferred outflow (inflow) of resources	\$ 1,399,818	\$ 39,875

\$475,683 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows or inflows of resources related to pension expense in subsequent years are as follows:

Year Ended June 30,	Amount
2019	\$ 190,410
2020	415,735
2021	289,768
2022	(27,163)
2023	15,510

ACTUARIAL METHODS AND ASSUMPTIONS

ACTUARIAL VALUATIONS

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the projected unit credit actuarial cost method.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 5 – STATE WIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)

For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) 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.

ACTUARIAL ASSUMPTIONS

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
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>Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 5 – STATE WIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)

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

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

ASSUMED ASSET ALLOCATION

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

LONG-TERM EXPECTED RATE OF RETURN

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS 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 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 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.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 5 – STATE WIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Funds of Funds – Diver	2.50%	4.64%
Hedge Fund – Event – Driven	.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Assumed Inflation – Mean		2.50%

SENSITIVITY OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability (asset)	\$ 4,791,512	\$ 2,811,619	\$ 1,156,062

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report. The effect of OPERS on the District's net position has been determined on the same basis used by OPERS.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 6 – PROPERTY TAX LIMITATIONS

The voters of the State of Oregon approved ballot measure 5, a constitutional limit on property taxes for schools and no-school government operations, in November 1990. School operations included community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to \$5 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on obligation bonded debt. The result of this initiative has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The voters of the State of Oregon passed ballot measure 50 in May 1997 to further reduce property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit. Measure 50 supplants measure 47 passed by voters in November 1996. Oregon Senate Bill 1215 was passed on July 4, 1997 to provide statutory direction and clarification for the implementation of the measure.

Measure 50 reduced the amount of operating property tax revenues available for the 1997-98 fiscal year, and thereafter. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of property to no more than 3% per year, subject to certain exceptions. The measure required a 17% overall statewide reduction in operating tax levies in 1997-98. The actual reduction per taxing district varies according to certain exemptions and special provisions of the measure and its implementing legislation. Taxes levied to support bonded debt are exempted from reductions. The measure also set restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State of Oregon to minimize the impact to school district as a result of the tax cuts.

NOTE 7- OPERATING LEASES

Office space was leased from Columbia Gorge Community College. The term of the office space lease continues through June 30, 2018. As of June 30, 2018, lease expenditures were \$62,344.

Server space was leased from Columbia Gorge Community College beginning January 1, 2017. The term of the server space lease continued through December 31, 2017 with an automatic renewal. Expenses under this lease were \$3,600 for the year ended June 30, 2018.

Classroom space is leased from Mid Columbia Children’s Council, Inc. The term of the classroom lease ended June 30, 2018. Total lease expenditures for the year ended June 30, 2018 were \$16,800.

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund balance amounts are comprised of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 868,577	\$ -
Special Revenue Grants Fund	-	588,188
Migrant Education Fund	-	280,389
Totals	\$ 868,577	\$ 868,577

A cash pool account is utilized in the General Fund to make cash available to all other funds. The above interfund balances reflect the receivable and payable balances at June 30, 2018 associated with the use of this cash pool.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018

NOTE 9 – FUND BALANCES

Details of fund balance classifications displayed in the aggregate are as follows:

	General Fund	Special Revenue Grants Fund	Non-Major Governmental Funds	June 30, 2018
Nonspendable:				
Prepaid Items	\$ 37,193	\$ -	\$ -	\$ 37,193
Restricted for:				
Federal and State Grants	-	155,389	13,674	169,063
Committed to:				
Capital Projects	-	-	26,498	26,498
Unassigned:	535,800	-	-	535,800
	\$ 572,993	\$ 155,389	\$ 40,172	\$ 768,554

NOTE 10 - 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; injuries to employees; and natural disasters. The District purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

Workers compensation insurance coverage is provided by the Special District's Workers Compensation Self-insured Group. The premiums are based on the ultimate costs of all districts that participate in this group.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

With the changes in the state's tax structure and school funding in the last decade, approximately 70% of the District's General Fund operating revenue comes from the State of Oregon General Fund and Lottery. Since the State of Oregon's revenue system places a high burden on personal income taxes, the District's revenue and budget is becoming more and more linked to income tax collections. Given the ebbs and flows of the state's economy this decade, it is becoming increasingly difficult to gage the State's budget and forecast the District's future levels of state funding

The amount of grant revenue reflected in the basic financial statements is subject to audit and adjustment by grantor agencies, principally the federal government. Any costs which are questioned or recommended to be disallowed which ultimately result in disallowed claims may become a liability of the General Fund.

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COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
 OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
 June 30, 2018

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal Year Ended	(a) District's Proportion of the net pension Liability (NPL)	(b) District's Proportionate Share of the Net Pension Liability (NPL)	(c) District's Covered Payroll	(b/c) NPL as a Percentage of covered Payroll	Plan Fiduciary net position as a percentage of the total pension liability
June 30, 2014	0.01975082%	\$ 1,007,913	\$ 1,325,124	76.06%	91.97%
June 30, 2015	0.01975082%	(447,695)	1,325,124	-33.79%	103.60%
June 30, 2016	0.02056990%	1,181,013	1,345,245	87.79%	91.90%
June 30, 2017	0.01960472%	2,943,124	1,613,150	182.45%	90.00%
June 30, 2018	0.02085765%	2,811,619	1,687,789	166.59%	74.50%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF DISTRICT CONTRIBUTIONS

Fiscal Year Ended	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contributon deficiency (excess)	District's covered payroll	Contributions as a percent of covered payroll
June 30, 2014	\$ 321,490	\$ 321,490	\$ -	\$ 1,325,124	24.26%
June 30, 2015	333,461	333,461	-	1,345,245	24.79%
June 30, 2016	375,662	375,662	-	1,613,150	23.29%
June 30, 2017	408,347	408,347	-	1,687,789	24.19%
June 30, 2018	477,031	477,031	-	1,978,405	24.11%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2018

GENERAL FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Local Sources	\$ 2,330,100	\$ 2,380,100	\$ 2,545,384	\$ 165,284
State Sources	1,528,948	1,619,453	1,542,733	(76,720)
Federal Sources	-	-	15,547	15,547
Earnings on Investments	-	-	15,690	15,690
	<u>3,859,048</u>	<u>3,999,553</u>	<u>4,119,354</u>	<u>119,801</u>
EXPENDITURES:				
Instruction	135,960	145,960 (1)	126,559	19,401
Support Services	2,669,597	2,759,237 (1)	2,611,921	147,316
Debt Service	1,000	1,000 (1)	-	1,000
Contingency	100,000	100,000 (1)	-	100,000
	<u>2,906,557</u>	<u>3,006,197</u>	<u>2,738,480</u>	<u>267,717</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>952,491</u>	<u>993,356</u>	<u>1,380,874</u>	<u>387,518</u>
OTHER FINANCING SOURCES (USES)				
Payments to School Districts	(1,134,290)	(1,175,155) (1)	(1,403,532)	(228,377)
Transfers Out	(46,145)	(46,145) (1)	-	46,145
	<u>(1,180,435)</u>	<u>(1,221,300)</u>	<u>(1,403,532)</u>	<u>(182,232)</u>
Net Change in Fund Balance	(227,944)	(227,944)	(22,658)	205,286
Beginning Fund Balance	<u>755,000</u>	<u>755,000</u>	<u>595,651</u>	<u>(159,349)</u>
Ending Fund Balance	<u>\$ 527,056</u>	<u>\$ 527,056</u>	<u>\$ 572,993</u>	<u>\$ 45,937</u>

(1) Appropriation Level

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2018

SPECIAL REVENUE GRANTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	\$ 234,123	\$ 244,123	\$ 157,434	\$ (86,689)
State Sources	1,406,655	1,706,655	1,452,472	(254,183)
Federal Sources	18,854	18,854	66,989	48,135
Total Revenues	1,659,632	1,969,632	1,676,895	(292,737)
EXPENDITURES:				
Instruction	1,094,004	1,104,004 (1)	956,017	147,987
Support Services	625,643	979,773 (1)	687,363	292,410
Total Expenditures	1,719,647	2,083,777	1,643,380	440,397
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(60,015)	(114,145)	33,515	147,660
OTHER FINANCING SOURCES (USES)				
Transfers Out	(30,000)	(30,000) (1)	-	30,000
Total Other Financing Sources (Uses)	(30,000)	(30,000)	-	30,000
Net Change in Fund Balance	(90,015)	(144,145)	33,515	177,660
Beginning Fund Balance	144,145	144,145	121,874	(22,271)
Ending Fund Balance	\$ 54,130	\$ -	\$ 155,389	\$ 155,389

(1) Appropriation Level

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2018

MIGRANT EDUCATION FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Local Sources	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)
Federal Sources	<u>532,000</u>	<u>801,219</u>	<u>860,382</u>	<u>59,163</u>
Total Revenues	<u>562,000</u>	<u>831,219</u>	<u>860,382</u>	<u>29,163</u>
EXPENDITURES:				
Instruction	<u>562,000</u>	<u>831,219 (1)</u>	<u>860,382</u>	<u>(29,163)</u>
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended June 30, 2018

NOTE 1 – EMPLOYEE RETIREMENT PENSION BENEFITS

CHANGES IN PLAN PROVISIONS

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB information found at:

<https://www.oregon.gov/pers/EMP/Pages/gasb-68.aspx>

CHANGES IN ASSUMPTIONS

A summary of key changes implemented since the December 31, 2015 valuation are described in the Oregon Public Retirement System's GASB 68 disclosure information which can be found at:

<https://www.oregon.gov/pers/EMP/Pages/gasb-68.aspx>

Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the System, which was published on September 23, 2015, and can be found at:

https://www.oregon.gov/pers/docs/2014_experience_study_9-23-15.pdf

NOTE 2 – BUDGET

A budget is prepared and legally adopted for the General Fund, Grants Fund, and Migrant Education Fund on the modified accrual basis of accounting. The budgetary basis of accounting is the same as accounting principles generally accepted in the United States of America basis for the governmental fund types, proprietary fund type and private purpose trust fund type. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Appropriations are established at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detailed budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of supplemental budgets and appropriation resolutions.

Supplemental budgets less than 10% of fund's budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearing before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. During the year, there was 1 Supplemental Budget in the Grant and Migrant Education Funds. Except for expenditures exceeding appropriations in the amount of \$182,232 in the Transfers function of the General Fund and \$29,163 in the Instruction function of the Migrant Education Fund all other expenditures were within appropriations. Appropriations lapse at the end of each fiscal year.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

SUPPLEMENTARY INFORMATION

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	
	<u>RAINY DAY FUND</u>	<u>VAN / EQUIPMENT REPLACEMENT FUND</u>	<u>TOTALS</u>
ASSETS:			
Cash and Investment	\$ 13,689	\$ 26,498	\$ 40,187
Total Assets	<u>\$ 13,689</u>	<u>\$ 26,498</u>	<u>\$ 40,187</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts Payable	<u>15</u>	<u>-</u>	<u>15</u>
Total Liabilities	<u>15</u>	<u>-</u>	<u>15</u>
FUND BALANCE:			
Restricted	13,674	-	13,674
Committed	<u>-</u>	<u>26,498</u>	<u>26,498</u>
Total Fund Balance	<u>13,674</u>	<u>26,498</u>	<u>40,172</u>
Total Liabilities and Fund Balance	<u>\$ 13,689</u>	<u>\$ 26,498</u>	<u>\$ 40,187</u>

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	
	RAINY DAY FUND	VAN / EQUIPMENT REPLACEMENT FUND	TOTALS
REVENUES:			
Local Sources	\$ 966	\$ -	\$ 966
Earnings on Investments	2	-	2
Total From Local Sources	968	-	968
EXPENDITURES:			
Instruction	15	-	15
Net Change in Fund Balance	953	-	953
Beginning Fund Balance	12,721	26,498	39,219
Ending Fund Balance	<u>\$ 13,674</u>	<u>\$ 26,498</u>	<u>\$ 40,172</u>

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2018

RAINY DAY FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	\$ 1,500	\$ 1,500	\$ 966	\$ (534)
Earnings on Investments	<u>3</u>	<u>3</u>	<u>2</u>	<u>(1)</u>
Total Revenues	<u>1,503</u>	<u>1,503</u>	<u>968</u>	<u>(535)</u>
EXPENDITURES:				
Instruction	<u>5,500</u>	<u>5,500 (1)</u>	<u>15</u>	<u>5,485</u>
Net Change in Fund Balance	(3,997)	(3,997)	953	4,950
Beginning Fund Balance	<u>12,253</u>	<u>12,253</u>	<u>12,721</u>	<u>468</u>
Ending Fund Balance	<u><u>\$ 8,256</u></u>	<u><u>\$ 8,256</u></u>	<u><u>\$ 13,674</u></u>	<u><u>\$ 5,418</u></u>

(1) Appropriation Level

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2018

VAN/EQUIPMENT REPLACEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings on Investments	\$ 150	\$ 150	\$ -	\$ (150)
OTHER FINANCING SOURCES (USES):				
Transfer (Out)	(10,000)	(10,000) (1)	-	10,000
Net Change in Fund Balance	(9,850)	(9,850)	-	10,000
Beginning Fund Balance	16,648	16,648	26,498	9,850
Ending Fund Balance	\$ 6,798	\$ 6,798	\$ 26,498	\$ 19,700

(1) Appropriation Level

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2018

COPY SERVICES FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Fees Paid by Departments	\$ 3,000	\$ 9,604	\$ 5,869	\$ (3,735)
EXPENDITURES:				
Support Services	3,100	9,500 (1)	5,900	3,600
Net Change in Fund Balance	(100)	104	(31)	(135)
Beginning Fund Balance	17,600	17,396	17,396	-
Ending Fund Balance	<u>\$ 17,500</u>	<u>\$ 17,500</u>	<u>17,365</u>	<u>\$ (135)</u>
Reconciliation to Net Position				
Capital Assets			24,473	
Less: Accumulated Depreciation			<u>(24,473)</u>	
Total Net Position			<u>\$ 17,365</u>	

(1) Appropriation Level

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND
 BALANCES OF TAXES UNCOLLECTED
 For the Year Ended June 30, 2018

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2017	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/2018
Current:						
2017-2018	\$ 2,076,774	\$ 52,554	\$ (9,857)	\$ 959	\$ 1,962,881	\$ 52,441
Prior Years:						
2016-2017	51,848	1	(251)	1,737	24,983	28,350
2015-2016	28,627	-	(120)	1,891	12,439	17,959
2014-2015	17,447	-	(111)	2,446	11,054	8,728
2013-2014	7,035	-	(86)	1,411	5,454	2,906
Prior	10,830	1	(2,272)	427	1,135	7,849
Total Prior	115,787	2	(2,840)	7,912	55,065	65,792
Total	<u>\$ 2,192,561</u>	<u>\$ 52,552</u>	<u>\$ (12,697)</u>	<u>\$ 8,871</u>	2,017,946	<u>\$ 118,233</u>
August 2018 turnover					5,841	
Revenue Turned Over to General Fund					<u>\$ 2,023,787</u>	

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

2017 - 18 DISTRICT AUDIT REVENUE SUMMARY

Revenue from Local Sources

	Fund 100	Fund 200	Fund 435	Fund 600
1110 Ad Valorem Taxes Levied by District	\$ 2,038,723	\$ -	\$ -	\$ -
1120 Local Option Ad Valorem Taxes Levied by District	\$ -	\$ -	\$ -	\$ -
1190 Penalties and Interest on Taxes	\$ 420	\$ -	\$ -	\$ -
1500 Earnings on Investments	\$ 15,690	\$ 2	\$ -	\$ -
1910 Rentals	\$ -	\$ -	\$ -	\$ -
1920 Contributions and Donations From Private Sources	\$ -	\$ 11,603	\$ -	\$ -
1930 Rental or Lease Payments From Private Contractors	\$ -	\$ -	\$ -	\$ -
1940 Services Provided Other Local Education Agencies	\$ 249,026	\$ 72,276	\$ -	\$ -
1960 Recovery of Prior Years' Expenditure	\$ 1,230	\$ 35,733	\$ -	\$ -
1970 Services to Other Funds	\$ -	\$ -	\$ -	\$ 5,869
1980 Fees Charged to Grants	\$ 173,764	\$ -	\$ -	\$ -
1990 Miscellaneous	\$ 82,222	\$ 38,788	\$ -	\$ -
Total Revenue from Local Sources	\$ 2,561,074	\$ 158,401	\$ -	\$ 5,869

Revenue from Intermediate Sources

	Fund 100	Fund 200	Fund 435	Fund 600
2199 Other Intermediate Sources	\$ -	\$ -	\$ -	\$ -
2200 Restricted Revenue	\$ -	\$ -	\$ -	\$ -
2900 Revenue for/on Behalf of the District	\$ -	\$ -	\$ -	\$ -
Total Revenue from Intermediate Sources	\$ -	\$ -	\$ -	\$ -

Revenue from State Sources

	Fund 100	Fund 200	Fund 435	Fund 600
3101 State School Fund - General Support	\$ 1,542,733	\$ -	\$ -	\$ -
3199 Other Unrestricted Grants-in-Aid	\$ -	\$ -	\$ -	\$ -
3200 Restricted Grants-in-Aid	\$ -	\$ 135,531	\$ -	\$ -
3299 Other Restricted Grants-in-Aid	\$ -	\$ 1,316,941	\$ -	\$ -
3800 Revenue in Lieu of Taxes	\$ -	\$ -	\$ -	\$ -
3900 Revenue for/on Behalf of the District	\$ -	\$ -	\$ -	\$ -
Total Revenue from State Sources	\$ 1,542,733	\$ 1,452,472	\$ -	\$ -

Revenue from Federal Sources

	Fund 100	Fund 200	Fund 435	Fund 600
4100 Unrestricted Revenue Direct From the Federal Government	\$ -	\$ -	\$ -	\$ -
4200 Unrestricted Revenue From the Federal Government Through the State	\$ 15,547	\$ 28,994	\$ -	\$ -
4300 Restricted Revenue From the Federal Government	\$ -	\$ -	\$ -	\$ -
4500 Restricted Revenue From the Federal Government Through the State	\$ -	\$ 898,378	\$ -	\$ -
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies	\$ -	\$ -	\$ -	\$ -
4900 Revenue for/on Behalf of the District	\$ -	\$ -	\$ -	\$ -
Total Revenue from Federal Sources	\$ 15,547	\$ 927,371	\$ -	\$ -

Revenue from Other Sources

	Fund 100	Fund 200	Fund 435	Fund 600
5100 Long Term Debt Financing Sources	\$ -	\$ -	\$ -	\$ -
5200 Interfund Transfers	\$ -	\$ -	\$ -	\$ -
5300 Sale of or Compensation for Loss of Fixed Assets	\$ -	\$ -	\$ -	\$ -
5400 Resources - Beginning Fund Balance	\$ 595,651	\$ 134,595	\$ 26,498	\$ 17,396
Total Revenue from Other Sources	\$ 595,651	\$ 134,595	\$ 26,498	\$ 17,396

Grand Totals

Grand Totals	\$ 4,715,006	\$ 2,672,839	\$ 26,498	\$ 23,265
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COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

2017 - 18 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 100 General Fund

Instruction Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1140	Pre-Kindergarten Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1220	Restrictive Programs for Students with Disabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1260	Treatment and Habilitation	\$ 98,811	\$ 54,936	\$ 41,295	\$ 2,530	\$ 49	\$ -	\$ -	\$ -
1293	Migrant Education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1299	Other Programs	\$ 27,748	\$ 13,352	\$ 13,235	\$ 1,138	\$ 23	\$ -	\$ -	\$ -
Total Instruction Expenditures		\$ 126,559	\$ 68,289	\$ 54,530	\$ 3,668	\$ 72	\$ -	\$ -	\$ -
Support Services Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110	Attendance and Social Work Services	\$ 10,926	\$ 6,324	\$ 4,334	\$ 164	\$ 104	\$ -	\$ -	\$ -
2130	Health Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2140	Psychological Services	\$ 44,896	\$ 37,162	\$ 3,404	\$ 953	\$ 3,378	\$ -	\$ -	\$ -
2150	Speech Pathology and Audiology Services	\$ 99,114	\$ 58,787	\$ 38,878	\$ 1,294	\$ 155	\$ -	\$ -	\$ -
2160	Other Student Treatment Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2190	Service Direction, Student Support Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2210	Improvement of Instruction Services	\$ 420,257	\$ 151,653	\$ 95,465	\$ 167,045	\$ 5,411	\$ -	\$ 684	\$ -
2220	Educational Media Services	\$ 60,645	\$ -	\$ -	\$ 1,609	\$ 58,512	\$ -	\$ 525	\$ -
2310	Board of Education Services	\$ 32,082	\$ -	\$ -	\$ 23,497	\$ 2,133	\$ -	\$ 6,453	\$ -
2320	Executive Administration Services	\$ 241,896	\$ 144,448	\$ 84,532	\$ 6,712	\$ 5,609	\$ -	\$ 595	\$ -
2520	Fiscal Services	\$ 329,048	\$ 79,965	\$ 49,529	\$ 149,973	\$ 25,358	\$ -	\$ 24,223	\$ -
2540	Operation and Maintenance of Plant Services	\$ 70,540	\$ -	\$ -	\$ 68,654	\$ 1,885	\$ -	\$ -	\$ -
2570	Internal Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2620	Planning, R & D, Grant Writing	\$ 30,174	\$ 19,192	\$ 8,671	\$ 2,303	\$ 9	\$ -	\$ -	\$ -
2630	Information Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2640	Staff Services	\$ 31,375	\$ 14,258	\$ 12,053	\$ 3,595	\$ 1,233	\$ -	\$ 235	\$ -
2660	Technology Services	\$ 1,240,968	\$ 394,227	\$ 257,854	\$ 568,528	\$ 20,359	\$ -	\$ -	\$ -
Total Support Services Expenditures		\$ 2,611,921	\$ 906,016	\$ 554,720	\$ 994,326	\$ 124,144	\$ -	\$ 32,715	\$ -
Other Uses Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100	Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5200	Transfers of Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5300	Apportionment of Funds by ESD	\$ 1,403,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,403,532
5400	PERS UAL Bond Lump Sum	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Uses Expenditures		\$ 1,403,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,403,532
Grand Total		\$ 4,142,013	\$ 974,305	\$ 609,250	\$ 997,995	\$ 124,217	\$ -	\$ 32,715	\$ 1,403,532

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

2017 - 18 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 200 Special Revenue Funds

		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures									
1140	Pre-Kindergarten Program	\$ 86,780	\$ 47,036	\$ 32,290	\$ 5,334	\$ 1,836	\$ -	\$ 283	\$ -
1220	Restrictive Programs for Students with Disabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1260	Treatment and Habilitation	\$ 832,609	\$ 389,727	\$ 286,118	\$ 78,533	\$ 3,545	\$ -	\$ 74,687	\$ -
1293	Migrant Education	\$ 860,502	\$ 357,939	\$ 246,134	\$ 146,262	\$ 37,230	\$ -	\$ 72,937	\$ -
1299	Other Programs	\$ 36,743	\$ 14,185	\$ 13,457	\$ 3,890	\$ 3,512	\$ -	\$ 1,700	\$ -
	Total Instruction Expenditures	\$ 1,816,634	\$ 808,886	\$ 577,999	\$ 234,018	\$ 46,123	\$ -	\$ 149,607	\$ -
Support Services Expenditures									
2110	Attendance and Social Work Services	\$ 2,300	\$ -	\$ -	\$ 2,300	\$ -	\$ -	\$ -	\$ -
2130	Health Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2140	Psychological Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2150	Speech Pathology and Audiology Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2160	Other Student Treatment Services	\$ 6,886	\$ 3,458	\$ 2,287	\$ 541	\$ -	\$ -	\$ 600	\$ -
2190	Service Direction, Student Support Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2210	Improvement of Instruction Services	\$ 359,063	\$ 183,402	\$ 111,210	\$ 42,843	\$ 14,576	\$ -	\$ 7,032	\$ -
2220	Educational Media Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2240	MTSS/RTII-Instructional Staff Development	\$ 32,758	\$ 16,237	\$ 10,859	\$ 4,187	\$ 1,475	\$ -	\$ -	\$ -
2310	Board of Education Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2320	Executive Administration Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2520	Fiscal Services	\$ 10,371	\$ 5,930	\$ 3,671	\$ (121)	\$ (2,367)	\$ -	\$ 3,258	\$ -
2540	Operation and Maintenance of Plant Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2570	Internal Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2620	Planning, R & D, Grant Writing	\$ 231,884	\$ 64,811	\$ 31,510	\$ 88,584	\$ 31,455	\$ -	\$ 15,523	\$ -
2640	Staff Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2660	Technology Services	\$ 44,100	\$ 7,259	\$ 4,334	\$ 32,503	\$ 4	\$ -	\$ -	\$ -
	Total Support Services Expenditures	\$ 687,363	\$ 281,098	\$ 163,871	\$ 170,836	\$ 45,143	\$ -	\$ 26,413	\$ -
Other Uses Expenditures									
5100	Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5200	Transfers of Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5300	Apportionment of Funds by ESD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5400	PERS UAL Bond Lump Sum	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Other Uses Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Grand Total	\$ 2,503,997	\$ 1,089,985	\$ 741,871	\$ 404,854	\$ 91,267	\$ -	\$ 176,020	\$ -

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

2017 - 18 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 400 Capital Projects Fund

Instruction Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1140	Pre-Kindergarten Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1220	Restrictive Programs for Students with Disabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1260	Treatment and Habilitation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1293	Migrant Education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1299	Other Programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Instruction Expenditures		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Support Services Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110	Attendance and Social Work Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2130	Health Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2140	Psychological Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2150	Speech Pathology and Audiology Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2160	Other Student Treatment Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2190	Service Direction, Student Support Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2210	Improvement of Instruction Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2220	Educational Media Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2310	Board of Education Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2320	Executive Administration Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2520	Fiscal Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2540	Operation and Maintenance of Plant Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2570	Internal Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2640	Staff Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2660	Technology Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Support Services Expenditures		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Uses Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100	Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5200	Transfers of Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5300	Apportionment of Funds by ESD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5400	PERS UAL Bond Lump Sum	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Uses Expenditures		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

2017 - 18 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 600 Internal Service Fund

Instruction Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1140	Pre-Kindergarten Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1220	Restrictive Programs for Students with Disabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1260	Treatment and Habilitation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1293	Migrant Education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1299	Other Programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Instruction Expenditures		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Support Services Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110	Attendance and Social Work Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2130	Health Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2140	Psychological Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2150	Speech Pathology and Audiology Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2160	Other Student Treatment Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2190	Service Direction, Student Support Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2210	Improvement of Instruction Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2220	Educational Media Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2310	Board of Education Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2320	Executive Administration Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2520	Fiscal Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2540	Operation and Maintenance of Plant Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2570	Internal Services	\$ 5,899	\$ -	\$ -	\$ 1,951	\$ 3,948	\$ -	\$ -	\$ -
2620	Planning, R & D, Grant Writing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2640	Staff Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2660	Technology Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Support Services Expenditures		\$ 5,899	\$ -	\$ -	\$ 1,951	\$ 3,948	\$ -	\$ -	\$ -
Other Uses Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100	Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5200	Transfers of Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5300	Apportionment of Funds by ESD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5400	PERS UAL Bond Lump Sum	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Uses Expenditures		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total		\$ 5,899	\$ -	\$ -	\$ 1,951	\$ 3,948	\$ -	\$ -	\$ -

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

FORM 3211 SUPPLEMENTAL INFORMATION AS REQUIRED BY THE
 OREGON DEPARTMENT OF EDUCATION
 For the Year Ended June 30, 2018

A. Energy Bills for Heating - All Funds:

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

	Objects 325 & 326 & *327
Function 2540	\$0
Function 2550	\$0

B. Replacement of Equipment - General Fund:

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

\$0

Exclude these functions:

1113, 1122 & 1132	Co-curricular Activities	4150	Construction
1140	Pre-Kindergarten	2550	Pupil Transportation
1300	Continuing Education	3100	Food Service
1400	Summer School	3300	Community Service

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

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COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS



INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

We have audited the basic financial statements of the Columbia Gorge Education Service District (District) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 29, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements 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:

- 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).

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, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except for expenditures exceeding appropriations in the amount of \$182,232 in the Transfers function of the General Fund and \$29,163 in the Instruction function of the Migrant Education Fund all other expenditures were within appropriations. This item is disclosed in Note 2 of the Notes to the Required Supplementary Information.

OAR 162-10-0230 Internal Control

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



Purpose of this Report

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

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 29, 2018

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COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

GRANT COMPLIANCE SECTION



To the School Board
Columbia Gorge Education Service District
Wasco County, Oregon

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Columbia Gorge Education Service District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 29, 2018



To the School Board
Columbia Gorge Education Service District
Wasco County, Oregon

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

Report on Compliance for Each Major Federal Program

We have audited Columbia Gorge Education Service District's (District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.



Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This 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.

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 29, 2018

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year Ended June 30, 2018

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD	GRANT AWARD AMOUNT	EXPENDITURES
U.S. DEPARTMENT OF EDUCATION:					
Passed through the Oregon Department of Education:					
Title 1, Migrant Education:					
Title I-C-Regular School Program	84.011	41214	7/1/16 - 9/30/17	\$ 286,628	\$ 25,981
Title I-C-Regular School Program	84.011	44979	7/1/17 - 9/30/18	563,216	563,216
Title I-C-Preschool Program	84.011	41233	7/1/16 - 9/30/17	52,851	5,938
Title I-C-Preschool Program	84.011	44896	7/1/17 - 9/30/18	101,003	86,733
Title I-C-Summer Program	84.011	43676	4/1/17 - 9/30/17	136,124	96,599
Title I-C-Summer Program	84.011	48624	4/4/18 - 9/30/18	92,664	63,946
Title I-C-Stride Program	84.011	48588	4/1/18 - 9/30/18	17,969	17,969
Total Title 1, Migrant Education				<u>1,250,455</u>	<u>860,382</u>
IDEA 101-476:					
IDEA Enhancement	84.027	46398	10/1/17 - 9/30/18	2,652	2,652
Extended Assessment	84.027	46209	7/1/17 - 6/30/18	2,198	1,153
Total IDEA 101-476				<u>4,850</u>	<u>3,805</u>
SPIG - Personnel Development (MTSS Coaches)	84.323	46076	9/1/17 - 8/31/19	49,821	32,758
Total passed through the Oregon Department of Education				<u>1,305,126</u>	<u>896,945</u>
Passed through the David Douglas School District					
SPR&I	84.027	44858	7/1/17 - 9/30/18	1,490	1,433
Total passed through the David Douglas School District				<u>1,490</u>	<u>1,433</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>1,306,616</u>	<u>898,378</u>
TOTAL FEDERAL AWARDS				<u>\$ 1,306,616</u>	<u>\$ 898,378</u>
RECONCILIATION OF FEDERAL REVENUES TO EXPENDITURES OF FEDERAL AWARDS:					
Total of Expenditures of Federal Awards (from above)				\$ 898,378	
Medicaid Reimbursements Not Subject to Reporting in the SEFA					44,540
Total Federal Revenues Report in the Financial Statements				\$ 942,918	

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate:

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance due to the fact that the District has a negotiated indirect cost rate with Oregon Department of Education, and thus is not allowed to use the de minimis rate.

Note 4 - Subrecipients:

The District has no subrecipients.

COLUMBIA GORGE EDUCATION SERVICE DISTRICT
WASCO COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	Yes	No ✓
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes	None reported ✓
Noncompliance material to financial statements noted?	Yes	No ✓

Federal Awards:

Internal control over major programs:		
Material weakness(es) identified?	Yes	No ✓
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes	None reported ✓
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 Section 516(a)?	Yes	No ✓

Identification of major programs:

<u>NAME OF PROGRAM OR CLUSTER</u>	<u>CFDA NUMBER(S)</u>
Migrant Education	84.011
Dollar threshold used to distinguish between type A and B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes No ✓

SECTION II - FINANCIAL STATEMENT FINDINGS - NONE

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS - NONE

SECTION IV - SUMMARY OF PRIOR AUDIT FINDING(S) - NONE

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