

## Title: Annual Report 2018-2019

### Control Information

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### Revision History

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## 1.1. Summary:

The Kings Valley Charter School completed the 18<sup>th</sup> year of operation in the 2018-2019 school year. The school has been successful by many measures. The current report year is no exception. The school has identified areas of weakness and is regularly working to address these areas. This report discusses the efforts to improve school performance. The school is producing favorable test scores in many areas and is financially stable. Enrollment is currently at 206 students (February 10, 2020).

This is an important document for compliance with the various regulations, and hopefully a useful tool for all staff and boards to have a summary of compliance and progress.

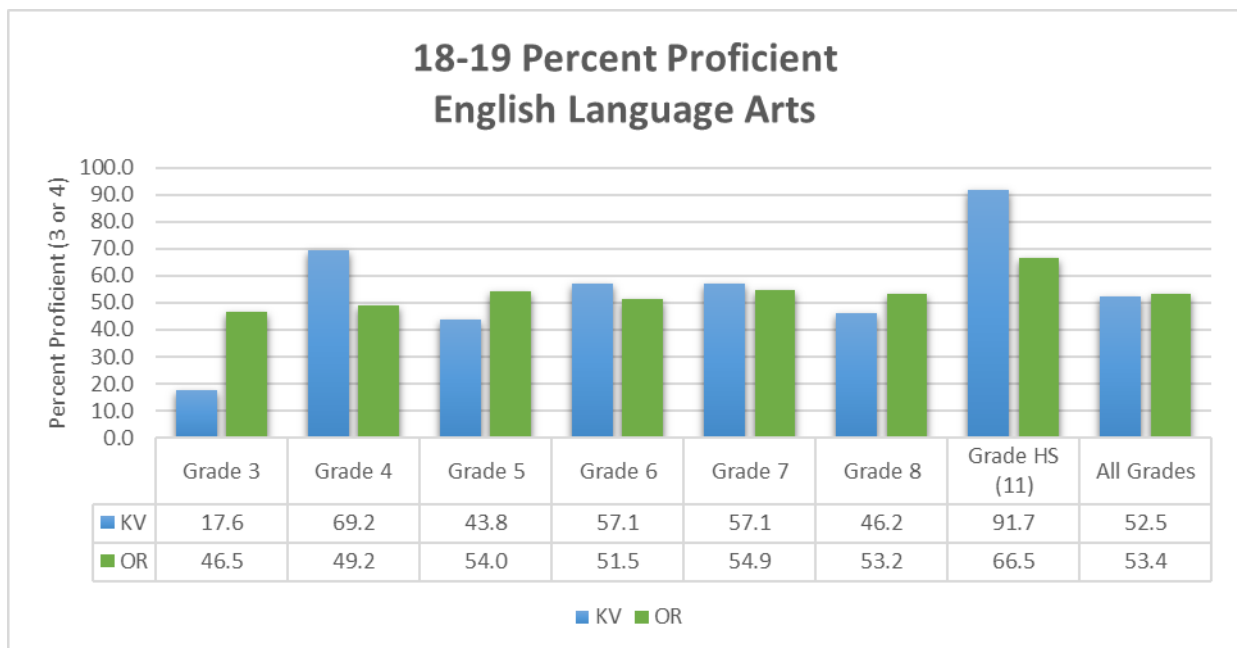
KVCS will provide other supporting documents as needed or requested to support findings.

## 1.2. District Charter Annual Report Requirements:

### 1.2.1. Summary data on the progress toward meeting its academic goals and objectives including state assessment information.

#### a. Smarter Balanced Standardized Test Results

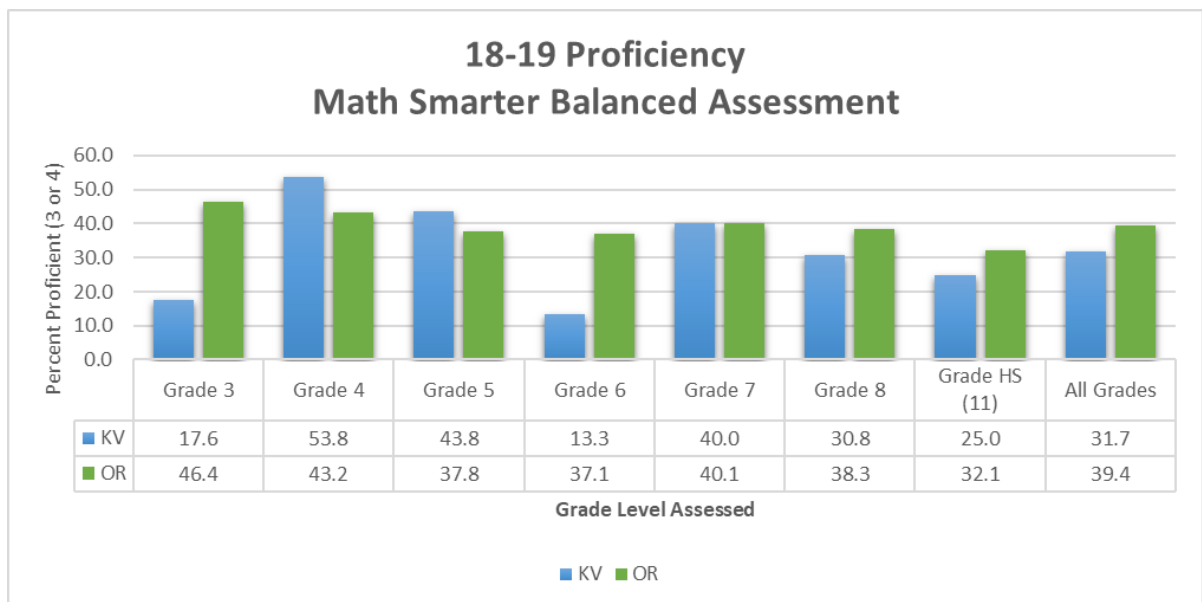
##### i. English Language Arts



Student scores for smarter balanced ELA are similar to the state in some grades. Specific student groups and results are shared with the superintendent as much of this data is typically personally identifiable. From the data we note that grades 3, 5, and 8 are lower than the state. It is our goal to increase success with all student groups as there are opportunities to improve. Our reading Boost program is helping kids regularly and we have implemented a new literacy program, National Geographic Reach in 19-20. Our progress monitoring tools are helping to identify students that are needing additional support and accommodations. We are excited to see our 4<sup>th</sup> and 11<sup>th</sup> grade cohorts doing well on this assessment. Sample sizes are small and can be highly variable and should be considered when analyzing this data.

The KVCS board and staff are dedicated to student success and evaluate progress regularly (see DRA II and Easy CBM data in section c.) For the 2019-2020 school year we have implemented a new elementary literacy program and may see improved scores on the SBAC. Through remediation efforts and an effective SPED program, we hope to show continued success for all student groups.

## ii. Math by Grade

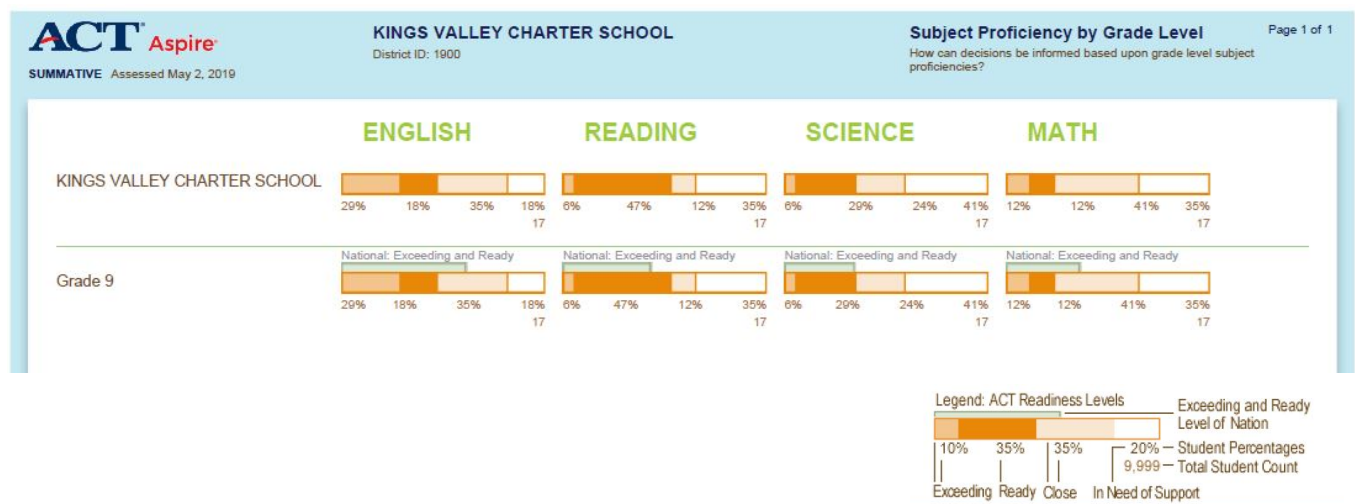


Student scores for Smarter Balanced Math are similar to or better than the state in almost all grades. Our test results in the 3<sup>rd</sup>, 6<sup>th</sup>, 8<sup>th</sup> classes are lower than desired. Our new monitoring tool will help identify the reasons. We are pleased that the 4<sup>th</sup> grade group scored high on the math assessment as well, and that 5<sup>th</sup> grade is above the state average. We made significant adjustments by changing our math curriculum for the 2018-19 school year. This adjustment includes a new progress monitoring tool that identifies more

specific areas of deficit and strength for individual students. Likely, it will take time to see the benefits of our new curriculum. We will continue to monitor how these changes increase performance. Specific student groups and results are shared with the superintendent as much of this data is typically personally identifiable. It is our goal to increase success with all student groups. Participation rates were lower than district and state levels. This is mostly a result of parent choice and student/parent awareness of the opt-out option. Sample sizes are small and can be highly variable and should be considered when analyzing this data.

### b. Nationally Normalized Tests Data:

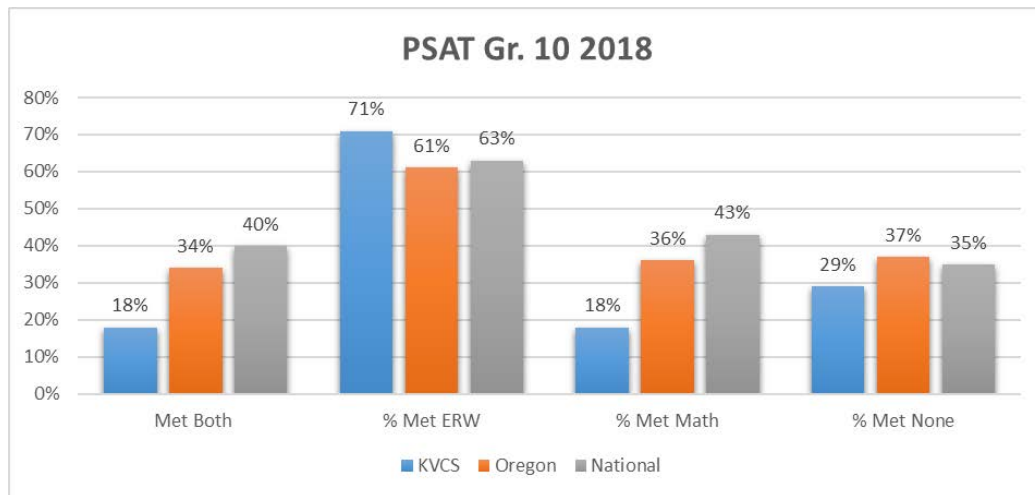
#### i. ACT Aspire Data



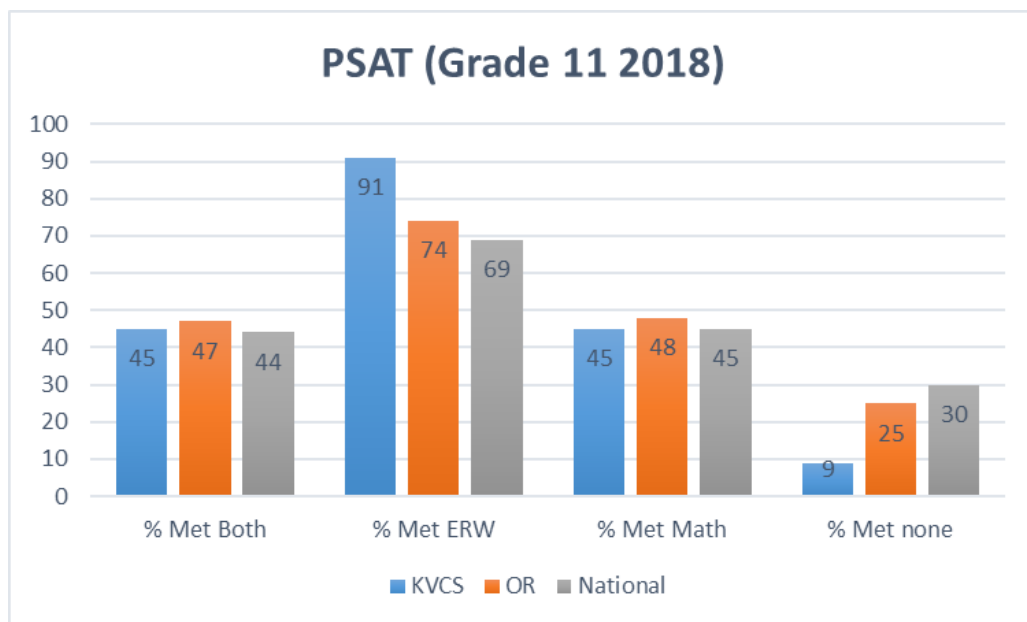
- The ACT Aspire test was offered to 9<sup>th</sup> graders in the spring of 2019. {50% of 9<sup>th</sup> grade students were new to KVCS.}
- Half of the students (50%) met the score requirement for Reading Essential Skill (425) (same as 17-18)
- 17% met the score requirement (431) for Math Essential Skill (down from 29% in 17-18)

ii. PSAT Data  
(October 2018)

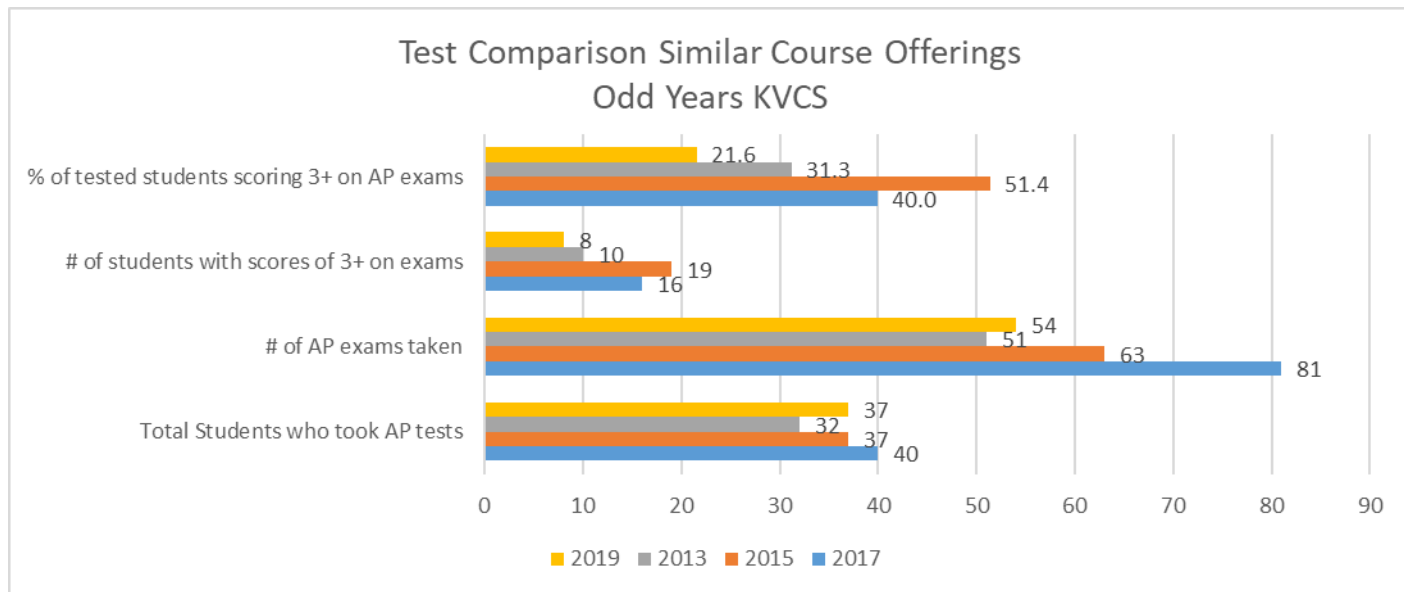
10<sup>th</sup> Grade PSAT



11<sup>th</sup> grade PSAT



iii. AP Test pass rates: This is data from this reporting year: 2018-2019



The KVCS continues to encourage all students to attempt an Advanced Placement course. The KVCS pays for the tests to ensure students have opportunities to challenge themselves and gain understanding of what these tests involve. In this report year, students in grade 9 and 10 had opportunity in AP Human Geography & Biology, and students in grades 11 and 12 had access to AP Physics, Gov/Politics, and English Literature.

This report covers the 9th year of AP curriculum at KVCS. Our pass rate (score of 3 or higher) of 22% is lower than the previous year, but there is variability in our data due to small sample size. We see that compared to previous years with similar course offerings, we have similar numbers of students testing (like 2019 compared to 2015 – both with 37 students) but the pass rates are lower. We are researching reasons for this.

iv. ACT results

ACT in 2018-2019- too small to report

v. SAT Data

The number of students taking the SAT in 2018-2019 is too small to report



### c. KVCS Assessment Data:

Are the students learning?	Goal	Last Time	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Trend	Plan to Improve
% on grade level reading (DRA)*	80%	26%		26%					24%				40%			
DRA % above grade levels reading		44%		41%					47%				35%			MS not assessed with DRA in Spring
Easy CBM "Some Risk" Reading				32%					53%				20%			No MS data for Fall; no K/1 Data for Winter (K/1 students were assessed, but window closed before scores were entered). Fall data added to metrics in March
Easy CBM "Low Risk" Reading				42%					19%				50%			
% showing improvement yearly reading *	80%	70%														
% passing SB reading *	%															
% passing SB ELA	%	52%												53%		
SBAC Writing Proficiency														54%		Grades 3-8, 11 (12); "Proficient" = score of 3 or 4 on Claim Area 2 (writing 3-8) or At-Near/Above standard on writing claim area (HS)

#### i. Developmental Reading Assessment II (DRA II) by Pearson Education

The DRA II is the test we use to identify students for remediation in grades K-8. The results are a good measure of our remediation program. As stated above, we are making adjustments with our assessment program.

There was an increase in "above" grade level in the middle of the year – this included middle school students, who were not included in the October assessment and who, overall, score on/above on the DRA assessment. The KVCS implemented additional methods for screening and monitoring student progress for 2018-19 school year. The Easy CBM program shows a reduction in "some risk" students from the beginning of the year to the end. We are improving our data collection system to improve and inform decision-making.

#### ii. Math Progress:

% passing SB math *	%	39%												32%		Math curriculum change to align with test
iReady "some risk" (End-of-year goals view)		63%		62%					52%				52%			New Math Curriculum in all grades; also assessed in Easy CBM
iReady "low risk" (EoY View)		30%		6%					21%				27%			
Median "Progress To Typical Growth" iReady K-8									56%							
High School On/Above				63%					54%				65%			

The administrator reports to the KVCS board the number of students on grade level, the pace they are progressing through the curriculum, and if they are meeting the goals established in their Personal Education Plan. KVCS has implemented a new math curriculum for the 2018-19 school year. Teachers have attended multiple professional development opportunities and will be evaluating the program throughout the 2019-20 school year. New methods using the I-Ready program indicate progress during the year. Likely we will see upward trends in this area in future years.

**1.2.2. The audited financial statements of KVCS, including proofs of insurance.**

The audited financial statements are in Appendix B. The proofs of insurance documents are in Appendix D.

**1.2.3. Any statements from the public charter school that show the results of all operations and transactions affecting the financial status of the public charter school during the preceding annual audit period for the school.**

The audited financial statements are in Appendix B.

**1.2.4. An electronic copy of any balance sheet containing a summary of the assets and liabilities of the public charter school and related operating budget documents as of the closing date of the preceding annual audit period for the school.**

An email with our audited financial statements is sent in January to Bill Mancuso and is attached to this document

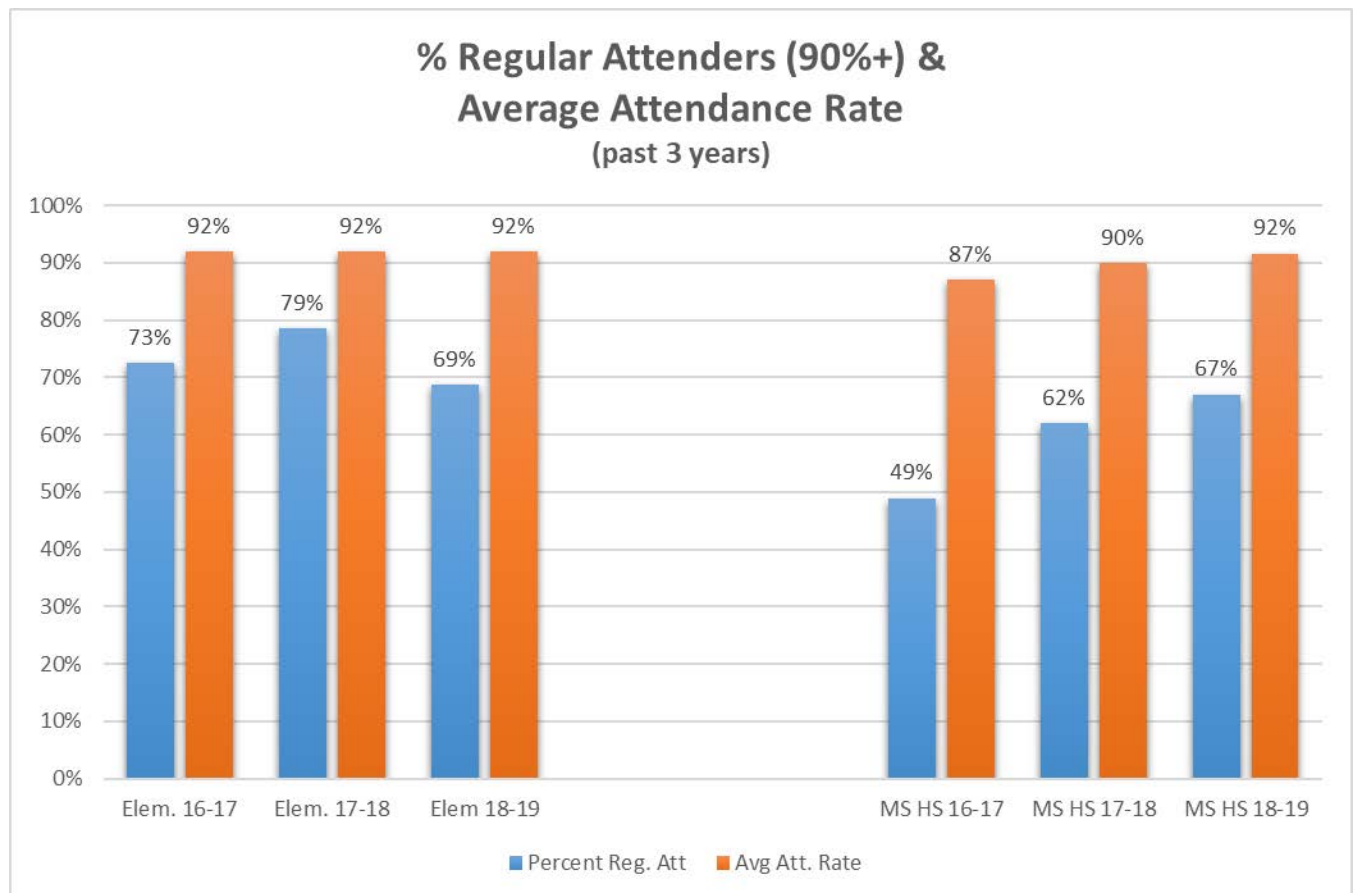
**1.2.5. Policy development issues.**

One policy was updated for early entry into Kindergarten. A date of September 31<sup>st</sup> was set as a cut-off for consideration for early entry.

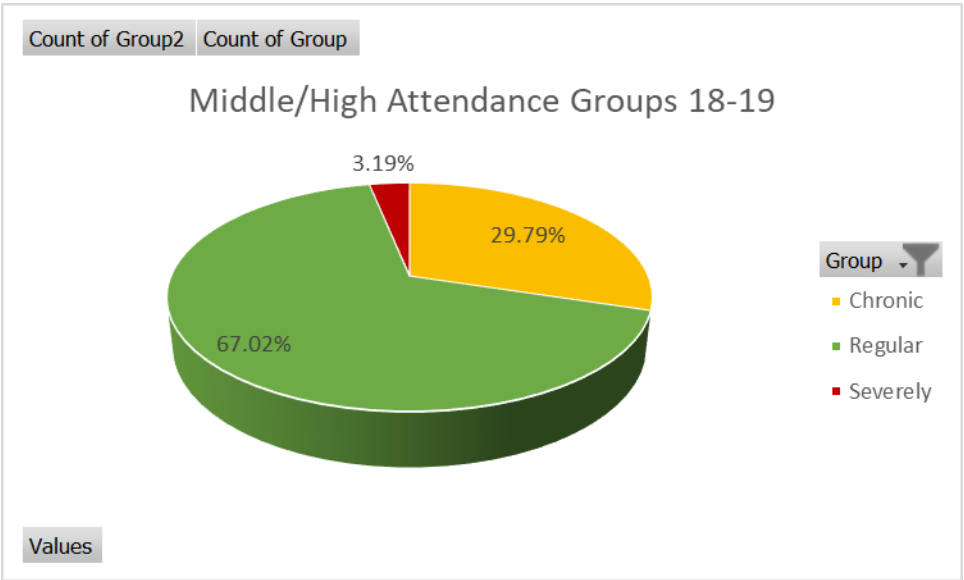
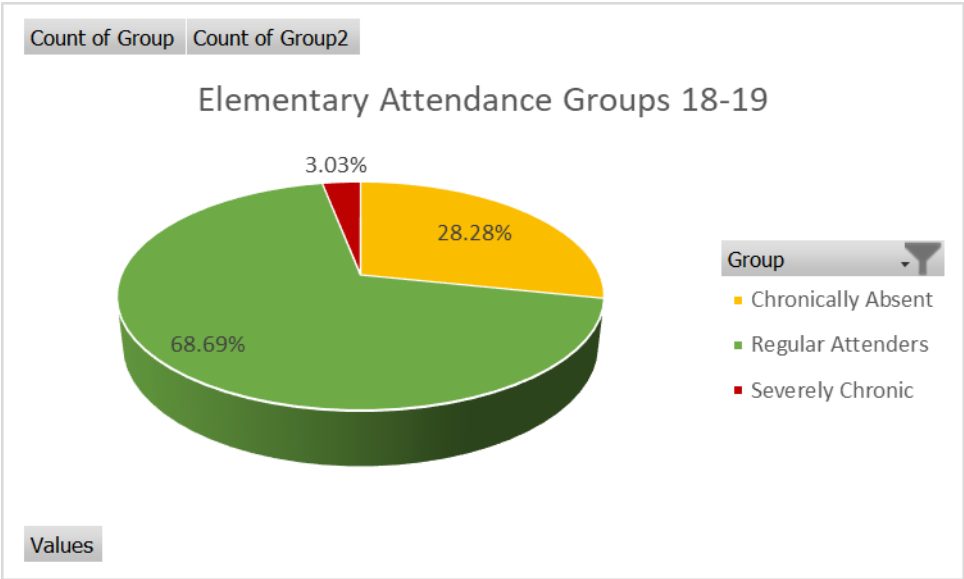
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### 1.2.6. Student attendance and student discipline information.

There were 17 days of out-of-school suspension This data fluctuates each year depending on individual students. Data collection methods are improving at the KVCS and likely will have more detailed information for decision-making purposes in the 2019-20 school year. We also expect to see a decrease in behavior incidences resulting in office referrals as we continue our development of the PBIS program at KVCS and implement Collaborative Problem Solving to help students develop skills to navigate socially.



Attendance rates are reported to the district annually during their October and February board meetings. The data above shows improvement from the previous year in Middle/High, both in overall rate, and regular attendance rate. Our goal, as part of HSSG, is to improve regular attendance rates (reduce chronic absenteeism) by 5%. Some improvement can be attributed to adjusting schedules and improved accuracy of reporting in our high school. Elementary rates can fluctuate year to year depending on student needs. More work is needed in this area. KVCS has added an attendance coordinator for the second half of the 19/20 school year.



The data from our monthly behavior statistics are below:

## Kings Valley Charter School

	Aug/Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Elementary Discipline	14	5	7	10	32	83	47	111	53	2
Middle/High Discipline Incidents	2	0	0	0	3	13	7	27	4	3

A new data collection system for behaviors was implemented in February of 18/19. This accounts for the increase in behaviors mid year. More information and consistent data entry will help inform decision making in the future.

### 1.2.7. Volunteer involvement information

The KVCS reports a volunteer rate for a monthly metric. The rate is believed to be an indicator of parent satisfaction. The metric in March could be translated to 0.075 hours per each student every day in March. Our Parent Teacher Organization is a significant source for our volunteer hours as well as in our elementary classrooms.

	Last Time	Aug/Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Volunteer Rate (hours/student/day) *	0.05	0.047	0.089	0.076	0.230	0.068	0.061	0.075	0.061		

### 1.2.8. Parental survey results

Our Parent Survey was re-structured in June 2018 to separate comments related to students in Elementary, Middle, and High school. This allowed parents to reflect on different experiences of multiple children at those age groupings. It allows us to consider what areas to address at those levels as well. We did not get a survey to parents in 18-19. We are sending a survey out in Feb. 2020 and will again in June 2020. We have added “new family” surveys and surveys for “leaving families” in order to understand how parents feel at those transitional times, how we can support them, and how we can improve. The data for all these will be included in the annual report for 19-20.

#### General Satisfaction 2017-2018

Parent Survey Data	2003-2004	2005-2006 (Mar)	2006-2007	2007-2008	2008-2009	2009-2010	June 2011	June 2012	June 2013	June 2014	Nov 2015	June 2016	June 2017	June 2018
Highly Satisfied			55%	51%	29%	53%	46%	53%	44%	51%	46%	53%	49%	26%
Very Satisfied and highly satisfied	85%	95%	83%	89%	86%	85%	84%	83%	77%	72%	84%	76%	78%	60%
Satisfied and higher	100%	100%	100%	100%	95%	100%	100%	100%	98%	94%	98%	98%	95%	93%

Overall Satisfaction has dropped in the 2018-19 school year.

See appendix A for the yearly survey report.

**1.2.9. Evidence of required insurance coverage**

See appendix D.

**1.2.10. New and revised policies and procedures adopted by the KVCS Board and have not previously been provided to the District**

See appendix C.

**1.2.11. All information necessary to make a determination of whether KVCS is in compliance with the Charter School Act.**

**(a) 338.015 Legislative intent; goals.**

The KVCS has the following evidence towards meeting the intent and goals of charter schools:

**(1) Increase student learning and achievement;**

Students at KVCS are showing high achievement levels on state tests and national tests.

See 1.2.1 (b) for the data.

**(2) Increase choices of learning opportunities for students;**

The small enrollment, K-12 environment, and curricular approach are unique in the area. In the KVCS attendance range, there is one private religious school in Corvallis, Alsea Public Schools, and the Perrydale Public School outside of Dallas that offer a K-12 configuration. To the best of our knowledge, the academic program is unique in the area also. The KVCS is utilizing multi-age classrooms. The local rural environment provides opportunities for hands-on work in nature as we partner with different organizations to make the most of our setting through gardening, stream restoration, and building projects. Field trips are an important part of providing learning opportunities at all grade levels, including Outdoor School for grade 6 and overnight field trips for high school students. In High School, “College Now” opportunities have been recently added to provide students with college credit. Advanced Placement high school curriculum at early grades to enable gains at all student abilities (see Section 1.2.1 b. Nationally Normed Tests) and prepare them for success at the college level. Students are also given opportunity to take a CLEP exam (College Level Examination Program by the College Board) for American Literature, which could be accepted at colleges.

The KVCS has recently added CTE programs to improve student outcomes and give more options. Our Culinary program has seen great success and a fantastic addition to our school. We hope to add more programs in the near future including a Natural Resource Program focusing on agriculture in the 20/21 school year.

**(3) Better meet individual student academic needs and interests;**

The KVCS is using National Geographic Literacy program and an individualized approach to math to ensure students have access to academic curriculum that fits their abilities and needs. Hands-on projects and integrated academics with art projects are an important method for the KVCS to keep students engaged. New math curriculum, including iReady Math and Big Ideas Mathematics, is showing great promise for student success and providing insight into student progress that we have not had previously.

- (4) Build stronger working relationships among educators, parents and other community members

We provide solid evidence of a strong volunteer community in our monthly reports to the the board. Volunteers are present in our classrooms, in reading remediation work, “project days,” field trips, building upkeep, after school activities, and fundraising.

The KVCS students are involved in restoration projects and have established great partnerships with Benton County, Luckiamute Watershed Council, OSU Extension, ODFW, and local land owners. KVCS hosted the 4-H Wildlife Stewards in May 2019. Over 250 students visited our school for this amazing event.

The best collaboration with educators is the Special Education collaboration with the Philomath District. This is likely a model arrangement and is producing very good results. The KVCS has benefited by having experienced SPED teachers and consultants in the building. Collaboration with local programs continues to grow as we have developed partnerships with Luckiamute Valley Charter School, Jackson Street Youth Shelter, Strengthening Rural Families, Benton County Health Department and Corvallis Environmental Center.

Teachers have worked to develop relationships with LBCC to improve opportunities for students. These include CLEP testing, extended opportunity and College Now credits, as well as our CTE program.

- (5) Encourage the use of different and innovative learning methods;

The KVCS has repackaged tried and true methods in innovative ways. For example, multiage classrooms have been in place since the beginning of public education. So has self-paced learning, hands-on learning, and art integration. The way the KVCS applies these techniques could be considered innovative.

- (6) Provide opportunities in small learning environments for flexibility and innovation, which may be applied, if proven effective, to other public schools;

The Philomath School District has given the KVCS plenty of space and opportunity to innovate and experiment. The KVCS has consistently produced good results on tests and

surveys. The most likely limiting factor in traditional public schools using the KVCS approach is class size.

(7) Create new professional opportunities for teachers;

The teachers at the KVCS have access to funds for college tuition. The KVCS is aggressive in ensuring students are achieving at optimum levels which is a unique experience for teachers. Staff at KVCS have access to meaningful professional development opportunities.

(8) Establish additional forms of accountability for schools; and

Staff and board have developed additional accountability rubrics. These have included ethics of excellence, service learning, citizenship, listening, and behaviors. Staff are reviewing new methods of measuring student readiness and school accountability. Specifically, methods to evaluate middle and high school readiness.

(9) Create innovative measurement tools. [1999 c.200 §1]

The KVCS has an accountability plan that is similar in thoroughness to private industry. The 10 years of data of direct surveys of parents and students are of high value now. There are no public schools to benchmark with. The KVCS implements traditional measurements and uses data with staff very well.

**(b) 338.125 Student admissions; fund-raising activities; online courses.**

The KVCS conducts a lottery every time an opening occurs. The KVCS is careful not to gather information that would prejudice the lotteries. The lotteries always have a minimum of two people and the public is welcome (only a few times have parents been present).

The KVCS charges no fees and all fundraising is voluntary. Our Parent Teacher Organization performs high quality fund raising efforts throughout the year.

The KVCS does not use online courses in the regular curriculum. However, there is an increasing need to bring more online curriculum to provide diverse opportunities for students. Often times students will take an online course for credit recovery or because the KVCS does not offer a necessary credit during the time the student will be enrolled at the KVCS. Occasionally a student might select an online course based on an interest in a specific area not offered at KVCS. We are continuing our evaluation and implementation of this type of program.

**(c) 338.135 Employees; licensure and registration requirements; collective bargaining; prohibition on waiver of right to sponsor charter school. (1) Employee assignment to a public charter school shall be voluntary.**

The KVCS met all the licensing and FTE requirements in the 2018-19 school year. The Philomath District personnel verify this every year.



No Philomath teachers are on leave of absence to work at the KVCS.

**(d) 338.145 Responsibility for student transportation services; costs.**

The District has enabled the KVCS to provide transportation at the reimbursed rate.

**(e) Federal law**

The KVCS had no issues in relation to Federal Law. Our Federal Lunch program had no issues in reporting and compliance. No Title I funds were allocated to the KVCS. No restricted revenue from the Federal Government was distributed to KVCS in this school year.

**(f) ORS 192.410 (Definitions for ORS 192.410 to 192.505) to 192.505 (Exempt and nonexempt public record to be separated) (public records law);**

The KVCS makes an attempt to publish any public records on the KVCS website. All student records and accounting are kept in fire proof cabinets within a locked room.

**(g) ORS 192.610 (Definitions for ORS 192.610 to 192.690) to 192.690 (Exceptions to ORS 192.610 to 192.690) (public meetings law);**

Public board meetings are announced electronically on a list that includes media. Minutes and board packets are published on the KVCS website.

The Kings Valley Charter School had the following closed executive board meetings:

There were no closed executive board meetings in the 2018-19 School year.

**ORS 297.405 (Definitions for ORS 297.020, 297.230, 297.405 to 297.740 and 297.990) to 297.555 (Short title) and 297.990 (Penalties) (Municipal Audit Law);**

The audit was acceptable and is included in appendix B. The KVCS used the same auditor as the District.

**(h) ORS 181.534 (Criminal records check), 326.603 (Authority of school districts and schools to obtain fingerprints and criminal records check of employees and contractors), 326.607 (Authority of school districts and schools to obtain criminal records check of volunteers and applicants for employment), 342.223 (Criminal records check) and 342.232 (Employment pending result of check) (criminal records checks);**

All employees completed background checks through the district or TSPC. All volunteers were background checked through approved methods.

**(i) ORS 337.150 (School board and charter school duty to provide textbooks) (textbooks);**

All textbooks were provided. Students are not charged any fees at the KVCS.

**(j) ORS 339.141 (Tuition prohibited for regular school program), 339.147 (When tuition**

**authorized) and 339.155 (Prohibitions of certain fees as condition of admission) (tuition and fees);**

The KVCS did not charge tuition or any other fees. The school made a significant investment in new textbooks/curriculum for the 2018-19 school year.

**(k) ORS 659.850 (Discrimination in education prohibited), 659.855 (Sanctions for noncompliance with discrimination prohibitions) and 659.860 (Enforcement of ORS 659.850) (discrimination);**

The KVCS conducted random lotteries and does not gather prejudicial information from lottery participants. The KVCS posts nondiscriminatory statements and Civil Rights complaint process as required by the Federal Meal program.

**(l) ORS 30.260 (Definitions for ORS 30.260 to 30.300) to 30.300 (ORS 30.260 to 30.300 exclusive) (tort claims);**

The KVCS does not have any active tort claims at this time.

**(m) Health and safety statutes and rules;**

The Benton County Health inspector inspected the kitchen and water system twice in the school year. All areas were in good order. A new water system has been installed. All improvements and changes are at the guidance of county and state agencies.

**(n) Any statute or rule that is listed in the charter;**

No other statute or rule is listed in the charter beyond this list.

**(o) The statewide assessment system developed by the Department of Education for mathematics, science and English under ORS 329.485 (Statewide assessment system) (2);**

KVCS participated and had many areas of success with this system of testing.

**(p) ORS 329.045 (Revision of Common Curriculum Goals, performance indicators, diploma requirements, Essential Learning Skills and academic content standards) (academic content standards and instruction);**

The best evidence of compliance is continued strong scores on assessments tests. The KVCS is using LBL ESD provided software to track the graduation requirements and Essential Learning Skills. The master schedule including teachers' assignments and NCES course codes are all part of this system and reviewed in detail by the Philomath District staff.

**(q) ORS 329.496 (Physical education participation) (physical education);**

We are meeting this requirement and we are evaluating the various challenges related to the increased minutes.

**(r) Any statute or rule that establishes requirements for instructional time provided by a school during each day or during a year;**

The KVCS met the required days of instruction for each grade level.

**(s) ORS 339.250 (Duty of student to comply with rules) (12) (prohibition on infliction of corporal punishment);**

The KVCS consulted with the district on suspensions and disciplinary actions with staff in regards to this section.

**(t) ORS 339.370 (Definitions for ORS 339.370 to 339.400), 339.372 (Policies of school boards on reporting of child abuse and sexual conduct), 339.388 (Report of child abuse or sexual conduct) and 339.400 (Training on prevention and identification) (reporting of child abuse and training on prevention and identification of child abuse);**

All staff working at KVCS took the mandatory training. Compliance was tracked by using the training system provided by the PACE (OSBA insurance company)

**(u) ORS 329.451 (High school diploma) (high school diploma, modified diploma, extended diploma and alternative certificate);**

The KVCS is offering these diplomas. Compliance is monitored by District staff. Special education students are receiving District services that include graduation planning.

**(v) ORS chapter 657 (Employment Department Law);**

No issues came up under this requirement.

**(w) ORS 339.326 (Actions after receipt of notice under ORS 419A.305);**

We received no notices.

**1.2.12. All non-routine maintenance, repairs and improvements made during the previous year and the cost thereof, including the value of in-kind labor and materials.**

This is no longer a requirement with the property sale, although upgrades to facilities are made as needed. Information about maintenance, repairs and improvements can be provided upon request.

**1.2.13. The annual report shall also include the results of grade level performance testing and a summary of all corrective action plans and their effectiveness.**

All test results were posted in section 1.2 (a).

## 1.3. Appendix A: Parent Survey Report

**Title: Parent Survey Report June 2018**

### Control Information

Control Item	Details
Owner/Curator	Jamon Ellingson
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### Revision History

Revision	Date	Revision Description	Originator
A			
B			
C			

## Parent Survey Report June 2018

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### Summary:

Our Parent Survey was re-structured in June 2018 to separate comments related to students in Elementary, Middle and High school. This allowed parents to reflect on different experiences of multiple children at those age groupings. It allows us to consider what areas to address at those levels as well

### Comments on parent comments --

The parent comments and concerns should be discussed. Areas of concern will be shared with appropriate staff to identify areas that need improvement.

### Comparison to previous years:

The data from these tables is from June of each year unless otherwise noted. There were 42 responses. Comparable to 41 in 2017.

### General Satisfaction

Parent Survey Data	2003-2004	2005-2006 (Mar)	2006-2007	2007-2008	2008-2009	2009-2010	June	June	June	June	Nov	June	June	June
							2011	2012	2013	2014	2015	2016	2017	2018
Highly Satisfied			55%	51%	29%	53%	46%	53%	44%	51%	46%	53%	49%	26%
Very Satisfied and highly satisfied	85%	95%	83%	89%	86%	85%	84%	83%	77%	72%	84%	76%	78%	60%
Satisfied and higher	100%	100%	100%	100%	95%	100%	100%	100%	98%	94%	98%	98%	95%	93%

Jamon's comments:

This is similar to previous years. There was 1 unsatisfied parent out of 42 responses.

**My Child is Receiving Individualized Education:**

	2007-2008	2008-2009	2009-2010	Jun-11	Jun-12	Jun-13	Jun-14	Nov 2015	June 2016	June 2017
Noticeably	29%	38%	63%	42%	35%	37%	43%	31%	37%	41%
regularly and noticeably	34%	79%	94%	88%	84%	86%	91%	78%	82%	91%

June 2018	Elementary	Middle	High	Preschool
Noticeably	27%	15%	29%	50%
Noticeably and Regularly	73%	54%	65%	83%
Total Surveyed	26	13	17	6

**Jamon's comments:**

Our number is down from previous years. The information worth noting is our ability to separate the schools. We have made adjustments in our middle school as a response to this data. Dedicated teaching staff have been added to our middle school.

**Child is Completing Work that Demonstrates Learning**

	2007-2008	2008-2009	2009-2010	Jun-11	Jun-12	Jun-13	Jun-14	Nov 2015	June 2016	June 2017
Noticeably	29%	48%	53%	42%	35%	33%	42%	38%	43%	39%
regularly and noticeably	88%	91%	91%	96%	86%	80%	88%	84%	84%	97%

June 2018	Elementary	Middle	High	Preschool
Noticeably	35%	15%	24%	33%
Noticeably and Regularly	88%	69%	65%	83%
Total Surveyed	26	13	17	6

**Jamon's comments:**

Elementary is performing the same as previous years. Sharing student work with home could be a strategy that we work with. More discussion should happen here

**Child's Work is Valued by Staff:**

	2007-2008	2008-2009	2009-2010	Jun-11	Jun-12	Jun-13	Jun-14	Nov 2015	June 2016	June 2017
Noticeably	43%	49%	71%	50%	44%	37%	39%	47%	47%	48%
regularly and noticeably	95%	88%	93%	88%	88%	86%	88%	93%	96%	95%

June 2018	Elementary	Middle	High	Preschool
Noticeably	54%	15%	35%	67%
Noticeably and Regularly	100%	77%	71%	100%
Total Surveyed	26	13	17	6

**Jamon's comments:**

Our elementary school and preschool have shown great success with recognizing student work. Having bulletin boards to regularly display great work is a great way to do this. Middle and high school staff will brainstorm ideas to improve in this area. Our museums and science fair are two examples of recognizing students for their great work.

### Opportunities to Show or Exhibit Work:

	2007-2008	2008-2009	2009-2010	Jun-11	Jun-12	Jun-13	Jun-14	Nov 2015	June 2016	June 2017
Noticeably	62%	52%	70%	58%	51%	49%	34%	43%	48%	45%
regularly and noticeably	100%	100%	98%	96%	91%	89%	95%	87%	88%	85%

June 2018	Elementary	Middle	High	Preschool
Noticeably	50%	8%	41%	33%
Noticeably and Regularly	88%	77%	53%	83%
Total Surveyed	26	13	17	6

Jamon's comments: Similar to previous

### Positive Relationships with Peers

	2007-2008	2008-2009	2009-2010	Jun-11	Jun-12	Jun-13	Jun-14	Nov 2015	June 2016	June 2017
Noticeably	49%	32%	50%	21%	40%	26%	37%	44%	45%	32%
regularly and noticeably	90%	88%	84%	88%	91%	89%	86%	89%	86%	89%

June 2018	Elementary	Middle	High	Preschool
Noticeably	42%	8%	41%	33%
Noticeably and Regularly	92%	62%	82%	100%
Total Surveyed	26	13	17	6

Jamon's comments:

Good to see the positive relationships in elementary and high school. We have added programming to improve middle school relationships. Including the social emotional learning curriculum and Girl's circle and Boy's Council

### Positive Relationships with Adults

	2007-2008	2008-2009	2009-2010	Jun-11	Jun-12	Jun-13	Jun-14	Nov 2015	June 2016	June 2017
Noticeably	55%	36%	59%	42%	49%	33%	43%	56%	61%	46%
regularly and noticeably	95%	91%	96%	100%	93%	93%	88%	90%	92%	96%

June 2018	Elementary	Middle	High	Preschool
Noticeably	62%	8%	35%	83%



## Kings Valley Charter School

Noticeably and Regularly	96%	69%	76%	100%
Total Surveyed	26	13	17	6

### Jamon's comments:

Elementary relationships amongst elementary students and adults have good results. Middle and high school students has opportunity for growth. As stated above we have added programming to improve in the areas and will continue to brainstorm other means for building positive relationships with adults. Our LEAD program has been a valuable and exciting program that encourages relationships and service to our community.

## 1.1. Comparison to previous years:

The new structure of the survey also allowed for feedback on the following areas:

### Social Climate:

June 2018	Elementary	Middle	High	Preschool
Highly Satisfied	12%	0%	18%	33%
Satisfied, Very Satisfied, Highly Satisfied	81%	62%	88%	100%
Total Surveyed	26	13	17	6

### Academic Program:

June 2018	Elementary	Middle	High	Preschool
Highly Satisfied	19%	0%	18%	33%
Satisfied, Very Satisfied, Highly Satisfied	96%	85%	88%	83%
Total Surveyed	26	13	17	6

### Communication from school to home:

June 2018	Elementary	Middle	High	Preschool
Highly Satisfied	19%	0%	12%	33%
Satisfied, Very Satisfied, Highly Satisfied	81%	69%	76%	100%
Total Surveyed	26	13	17	6

### Child's Social Experience at KVCS:

June 2018	Elementary	Middle	High	Preschool
Highly Satisfied	15%	0%	29%	33%
Satisfied, Very Satisfied, Highly Satisfied	92%	77%	88%	100%
Total Surveyed	26	13	17	6

**Child's Academic Experience at KVCS:**

June 2018	Elementary	Middle	High	Preschool
Highly Satisfied	23%	0%	35%	33%
Satisfied, Very Satisfied, Highly Satisfied	96%	85%	76%	83%
Total Surveyed	26	13	17	6

## **1.4. Appendix B: Financial Audit Report**



# Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Kings Valley Charter School  
Philomath, Oregon 97370

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## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kings Valley Charter School are described in Note I to the financial statements. One new accounting pronouncement was adopted during the year ended June 30, 2019 – GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements*. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School's financial statements were:

- Management's estimate of depreciable lives and salvage values of capital assets, which are based on expected useful lives of the assets and current market conditions. We evaluated the key factors and assumptions used to develop the depreciable lives and salvage values and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.
- Defined benefit pension plans (actuarial assumptions).
- Accrued compensation.

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Kings Valley Charter School's financial statements relate to post-employment benefits.

The financial statement disclosures are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain written representations from management, which are included in the attached letter dated December 9, 2019.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

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### *Other Matters*

We applied certain limited procedures to the management's discussion and analysis and the schedules of the School's proportionate share of the net pension liability and School contributions, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the General Fund budgetary comparison schedule which is RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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Accuity, LLC

December 9, 2019

**Kings Valley Charter School**  
**Summary of Proposed Audit Adjustments**  
**June 30, 2019**

<b>Description</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Equity</b>
To reclass grant revenue to correct account					
Grant revenue	\$ -	\$ -	\$ (26,320)	\$ -	\$ -
Miscellaneous income	-	-	26,320	-	-
To reclass capital outlay to correct account					
Building and improvements	-	-	-	(43,804)	-
Property improvements	-	-	-	43,804	-
To reclass grant receivable to correct account					
Accounts receivable	26,321	-	-	-	-
Undeposited funds	(26,321)	-	-	-	-
To record outdoor school reimbursement					
Accounts receivable	5,940	-	-	-	-
Miscellaneous revenue	-	-	(5,940)	-	-

**Kings Valley Charter School**  
**Summary of Unadjusted Differences**  
**June 30, 2019**

<b>Description</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Equity</b>
To adjust cash balance to actual	\$ (1,147)	\$ -	\$ -	\$ 1,147	\$ -



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CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
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Philomath, Oregon 97370

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Accuity, LLC

December 9, 2019

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**June 30, 2019**

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**Kings Valley Charter School**  
**Summary of Unadjusted Differences**  
**June 30, 2019**

<b>Description</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Equity</b>
To adjust cash balance to actual	\$ (1,147)	\$ -	\$ -	\$ 1,147	\$ -



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Kings Valley Charter School  
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Accuity, LLC

December 9, 2019

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**Summary of Proposed Audit Adjustments**  
**June 30, 2019**

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**Kings Valley Charter School**  
**Summary of Unadjusted Differences**  
**June 30, 2019**

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To adjust cash balance to actual	\$ (1,147)	\$ -	\$ -	\$ 1,147	\$ -



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Board of Directors  
Kings Valley Charter School  
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**June 30, 2019**

<b>Description</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Equity</b>
To reclass grant revenue to correct account					
Grant revenue	\$ -	\$ -	\$ (26,320)	\$ -	\$ -
Miscellaneous income	-	-	26,320	-	-
To reclass capital outlay to correct account					
Building and improvements	-	-	-	(43,804)	-
Property improvements	-	-	-	43,804	-
To reclass grant receivable to correct account					
Accounts receivable	26,321	-	-	-	-
Undeposited funds	(26,321)	-	-	-	-
To record outdoor school reimbursement					
Accounts receivable	5,940	-	-	-	-
Miscellaneous revenue	-	-	(5,940)	-	-

**Kings Valley Charter School**  
**Summary of Unadjusted Differences**  
**June 30, 2019**

<b>Description</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Equity</b>
To adjust cash balance to actual	\$ (1,147)	\$ -	\$ -	\$ 1,147	\$ -



# Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Kings Valley Charter School  
Philomath, Oregon 97370

We have audited the financial statements of the governmental activities and the major fund of Kings Valley Charter School, a component unit of Philomath School District 17J, for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 21, 2019. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kings Valley Charter School are described in Note I to the financial statements. One new accounting pronouncement was adopted during the year ended June 30, 2019 – GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements*. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School's financial statements were:

- Management's estimate of depreciable lives and salvage values of capital assets, which are based on expected useful lives of the assets and current market conditions. We evaluated the key factors and assumptions used to develop the depreciable lives and salvage values and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.
- Defined benefit pension plans (actuarial assumptions).
- Accrued compensation.

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Kings Valley Charter School's financial statements relate to post-employment benefits.

The financial statement disclosures are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain written representations from management, which are included in the attached letter dated December 9, 2019.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Other Matters*

We applied certain limited procedures to the management's discussion and analysis and the schedules of the School's proportionate share of the net pension liability and School contributions, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the General Fund budgetary comparison schedule which is RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### *Restriction on Use*

This information is intended solely for the use of the board of directors and management of Kings Valley Charter School, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is stylized and cursive.

Accuity, LLC

December 9, 2019

**Kings Valley Charter School**  
**Summary of Proposed Audit Adjustments**  
**June 30, 2019**

<b>Description</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Equity</b>
To reclass grant revenue to correct account					
Grant revenue	\$ -	\$ -	\$ (26,320)	\$ -	\$ -
Miscellaneous income	-	-	26,320	-	-
To reclass capital outlay to correct account					
Building and improvements	-	-	-	(43,804)	-
Property improvements	-	-	-	43,804	-
To reclass grant receivable to correct account					
Accounts receivable	26,321	-	-	-	-
Undeposited funds	(26,321)	-	-	-	-
To record outdoor school reimbursement					
Accounts receivable	5,940	-	-	-	-
Miscellaneous revenue	-	-	(5,940)	-	-

**Kings Valley Charter School**  
**Summary of Unadjusted Differences**  
**June 30, 2019**

<b>Description</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Equity</b>
To adjust cash balance to actual	\$ (1,147)	\$ -	\$ -	\$ 1,147	\$ -



# Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

December 9, 2019

Board of Directors  
Kings Valley Charter School  
Philomath, Oregon 97370

In planning and performing our audit of the financial statements of the governmental activities and the major fund of Kings Valley Charter School, a component unit of Philomath School District 17J, as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Kings Valley Charter School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.



During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

***Noncompliance with Oregon Revised Statutes: Public Contracts and Purchasing***

It was noted during audit fieldwork that the School did not receive the proper bids for the construction of a pole building exceeding \$10,000, which is in violation of ORS 279A, 279B, and 279C. We recommend that the School implement procedures to ensure all staff with purchasing authority are aware of Oregon Public Contract and Purchasing statute requirements. We further recommend that the School require documentation supporting all intermediate procurements be forwarded to the Executive Director prior to purchase to ensure compliance.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the board of directors, and others within the School, and is not intended to be, and should not be used by anyone other than these specified parties.

Very truly yours,

  
Accuity, LLC



# Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

December 9, 2019

Board of Directors  
Kings Valley Charter School  
Philomath, Oregon 97370

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Very truly yours,

  
Accuity, LLC



# Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

December 9, 2019

Board of Directors  
Kings Valley Charter School  
Philomath, Oregon 97370

In planning and performing our audit of the financial statements of the governmental activities and the major fund of Kings Valley Charter School, a component unit of Philomath School District 17J, as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Kings Valley Charter School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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***Noncompliance with Oregon Revised Statutes: Public Contracts and Purchasing***

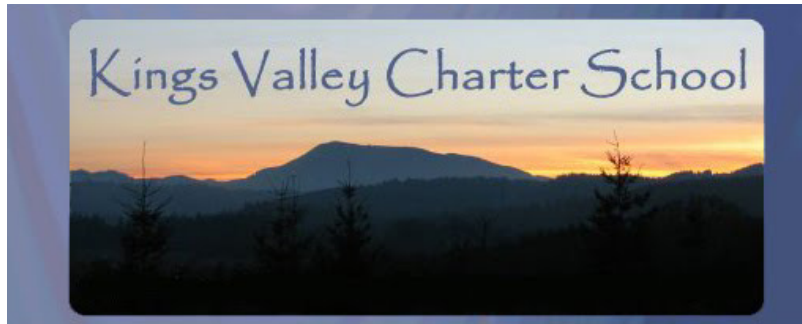
It was noted during audit fieldwork that the School did not receive the proper bids for the construction of a pole building exceeding \$10,000, which is in violation of ORS 279A, 279B, and 279C. We recommend that the School implement procedures to ensure all staff with purchasing authority are aware of Oregon Public Contract and Purchasing statute requirements. We further recommend that the School require documentation supporting all intermediate procurements be forwarded to the Executive Director prior to purchase to ensure compliance.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the board of directors, and others within the School, and is not intended to be, and should not be used by anyone other than these specified parties.

Very truly yours,

  
Accuity, LLC



**KINGS VALLEY CHARTER SCHOOL**  
**(A Component Unit of Philomath School District 17J)**  
**Philomath, Oregon**

**ANNUAL FINANCIAL REPORT**

June 30, 2019



**Accuity, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
436 1st Avenue W | PO Box 1072  
Albany, Oregon 97321 | (541) 223-5555

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**BOARD OF DIRECTORS**

June 30, 2019

**OFFICERS**

Sally Lammers, Chair  
31615 Luckiamute Road  
Philomath, Oregon 97370

Diana Barnhart, Secretary/Treasurer  
14185 Wildwood Road  
Philomath, Oregon 97370

**MEMBERS**

Beth Hoinacki  
38001 Alexander Road  
Philomath, Oregon 97370

Bill Mahr  
39142 Kings Valley Highway  
Monmouth, Oregon 97361

**EXECUTIVE DIRECTOR**

Jamon Ellingson  
38840 Kings Valley Highway  
Philomath, Oregon 97370

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

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June 30, 2019

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Board of Directors  
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**FINANCIAL SECTION**



# Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Kings Valley Charter School  
Philomath, Oregon 97370

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Kings Valley Charter School, Philomath, Oregon, a component unit of Philomath School District 17J, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Kings Valley Charter School, Philomath, Oregon as of June 30, 2019, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2019, the School adopted new accounting guidance: GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements*. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of the School's proportionate share of the net pension liability and School contributions on pages 4 through 9 and 36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kings Valley Charter School's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The budgetary comparison information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 9, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance

Accuity, LLC

By:   
\_\_\_\_\_  
Glen O. Kearns, CPA

Albany, Oregon  
December 9, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

As management of Kings Valley Charter School, Philomath, Oregon, we offer readers this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2019. It should be read in conjunction with the School's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2019, total net position of Kings Valley Charter School amounted to \$455,877. Of this amount, \$211,622 was invested in capital assets, net of related debt. The remaining balance included \$11,355 restricted for various activities, and \$232,900 of unrestricted net position.
- The School's total net position decreased by \$22,359 during the current fiscal year.
- Overall expenses of \$2,280,965 exceeded total revenue of \$2,258,606 by \$22,359.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Kings Valley Charter School's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances in a manner similar to a private-sector business.

The statement of net position presents information on all the School's assets, liabilities, and deferred inflows and outflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School'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., grants receivable).

The government-wide financial statements can be found on pages 10 through 11 of this report.

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Fund Financial Statements**

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The only fund of the School is a governmental fund.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the School'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 School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains one governmental fund. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund.

Kings Valley Charter School adopts an annual appropriated budget for the General Fund. Budgetary comparison data has been provided to demonstrate compliance with its budget, but is not a required part of the basic financial statements.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16 through 35 of this report.

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) and other supplementary information (OSI). RSI includes the schedules of the School's proportionate share of the net pension liability and School contributions, and OSI includes the budgetary comparison information for the General Fund.

This information can be found on pages 36 through 37 of this report, respectively.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. At June 30, 2019, the School's assets exceeded its liabilities by \$455,877.

A large portion of the School's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

Although the School's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

**School's Net Position**

At the end of the current fiscal year, the School was able to report positive balances in all categories of net position. The School's net position decreased by \$22,359 during the current fiscal year. This increase was mainly due to an increase in state school fund revenue.

Condensed statement of net position information is shown on the following page.



**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current assets	\$ 340,392	\$ 368,785
Restricted assets	11,355	11,355
Other assets	-	-
Capital assets, net of accumulated depreciation	227,810	231,589
Total assets	579,557	611,729
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	80,680	98,873
<b>LIABILITIES</b>		
Current liabilities	34,391	43,073
Noncurrent liabilities	115,100	181,434
Total liabilities	149,491	224,507
<b>DEFERRED INFLOWS OF RESOURCES</b>	54,869	7,859
<b>NET POSITION</b>		
Net investment in capital assets	211,622	196,631
Restricted	11,355	11,355
Unrestricted	232,900	270,250
Total net position	\$ 455,877	\$ 478,236

**School's Changes in Net Position**

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

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Changes in Net Position**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Program revenues</b>		
Charges for services	\$ 19,071	\$ 30,702
Operating grants and contributions	143,673	102,645
Total program revenues	162,744	133,347
<b>General revenues</b>		
State school fund – general support	2,062,816	2,005,041
Investment earnings	33	405
Miscellaneous	33,013	55,942
Total general revenues	2,095,862	2,061,388
Total revenues	2,258,606	2,194,735
<b>Program expenses</b>		
Instruction	1,267,352	1,073,959
Support services	843,047	820,188
Community services	29,688	105,917
Facilities acquisition and construction	110,578	101,494
Unallocated depreciation	29,367	27,366
Interest on long-term debt	933	3,211
Total program expenses	2,280,965	2,132,135
<b>Change in net position</b>	(22,359)	62,600
<b>Net position - beginning</b>	478,236	415,636
<b>Net position - ending</b>	\$ 455,877	\$ 478,236

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUND**

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

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Governmental Fund**

The focus of the School's governmental fund is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the School's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the School's governmental funds reported a fund balance of \$321,257, a decrease of \$34,580 from the prior year. Of this \$285,234 constitutes unassigned fund balance, which is available for spending at the School's discretion.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The School's investment in capital assets for its governmental activities as of June 30, 2019 amounted to \$227,810, net of accumulated depreciation. This investment is comprised of leasehold improvements and vehicles. Total depreciation expense related to the School's investment in capital assets during the current fiscal year was \$29,367. Additional information on the School's capital assets can be found pages 23 of this report.

**Long-Term Liabilities**

At the end of the current fiscal year, the School had total long-term liabilities outstanding of \$16,188. This amount relates to one capital lease. The School's total long-term liabilities decreased by \$18,770 during the current fiscal year. Additional information on the School's long-term liabilities can be found pages 24 through 25 of this report.

**KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE**

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

- The School is planning on adding a modular building in the upcoming year.
- The School has budgeted to add a new math curriculum, athletics and an additional middle school staff member to meet the needs of increasing enrollment.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$285,234 and will be available for program resources in the 2019-2020 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the School's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional information should be addressed to Kings Valley Charter School, 33840 Kings Valley Highway, Philomath, Oregon 97370.

## **BASIC FINANCIAL STATEMENT**

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**STATEMENT OF NET POSITION**

June 30, 2019

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 298,997
Accounts receivable	41,395
Total current assets	<u>340,392</u>
Restricted assets	
Cash and cash equivalents	11,355
Capital assets not being depreciated	2,938
Capital assets being depreciated, net	<u>224,872</u>
Total assets	<u>579,557</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>80,680</u>
<b>LIABILITIES</b>	
Current liabilities	
Accrued payroll	30,490
Capital lease, current portion	3,901
Total current liabilities	<u>34,391</u>
Noncurrent liabilities	
Capital lease, less current portion	12,287
Net pension liability	<u>102,813</u>
Total noncurrent liabilities	<u>115,100</u>
Total liabilities	<u>149,491</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>54,869</u>
<b>NET POSITION</b>	
Net investment in capital assets	211,622
Restricted for various activities	11,355
Unrestricted	<u>232,900</u>
Total net position	<u><u>\$ 455,877</u></u>

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

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges for</u>	<u>Operating</u>	Revenue and
		<u>Services</u>	<u>Grants and</u>	Changes in
			<u>Contributions</u>	Net Position
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities				
Instruction				
Regular programs	\$ 1,267,352	\$ 19,071	\$ 143,673	\$ (1,104,608)
Support services				
Instructional support services	3,809	-	-	(3,809)
General administrative support	48,582	-	-	(48,582)
School administrative support	550,534	-	-	(550,534)
Business support services	240,122	-	-	(240,122)
Community services				
Enterprise and community services	29,688	-	-	(29,688)
Facilities acquisition and construction	110,578	-	-	(110,578)
Unallocated depreciation	29,367	-	-	(29,367)
Interest on long term debt	<u>933</u>	<u>-</u>	<u>-</u>	<u>(933)</u>
Total governmental activities	<u>\$ 2,280,965</u>	<u>\$ 19,071</u>	<u>\$ 143,673</u>	<u>\$ (2,118,221)</u>
General revenues				
State school fund - general support				2,062,816
Investment earnings				33
Miscellaneous				<u>33,013</u>
Total general revenues				<u>2,095,862</u>
Change in net position				(22,359)
Net position - beginning				<u>478,236</u>
Net position - ending				<u>\$ 455,877</u>

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

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**BALANCE SHEET**

**GOVERNMENTAL FUND**

June 30, 2019

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 310,352
Accounts receivable	<u>41,395</u>
Total assets	<u><u>\$ 351,747</u></u>
<b>LIABILITIES</b>	
Current	
Accrued payroll	<u>\$ 30,490</u>
<b>FUND BALANCE</b>	
Restricted for various activities	11,355
Committed to facilities acquisition	24,668
Unassigned	<u>285,234</u>
Total fund balance	<u>321,257</u>
Total liabilities and fund balance	<u><u>\$ 351,747</u></u>

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

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

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

June 30, 2019

<b>Total fund balance</b>	\$ 321,257
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Capital assets are not financial resources and are therefore not reported in the governmental funds. These consist of:

Cost	438,100	
Accumulated depreciation	<u>(210,290)</u>	227,810

Liabilities not payable in the current year are not reported as governmental fund liabilities. These liabilities are not accrued in the governmental fund, but are recognized as expenditures when due. This consists of:

Capital lease payable	(16,188)
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Amounts relating to the School's proportionate share of the net pension liability for the Oregon Public Employees Retirement Systems (PERS) are not reported in governmental fund statements. In the governmental fund statements, pension expense is recognized when due. These amounts consist of:

Deferred outflows of resources relating to pension expense	80,680	
Deferred inflows of resources relating to the return on pension assets	(54,869)	
Net pension liability	<u>(102,813)</u>	<u>(77,002)</u>

<b>Net position of governmental activities</b>	\$ <u>455,877</u>
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The accompanying notes are an integral part of these financial statements.



**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

For the Year Ended June 30, 2019

	<u>General Fund</u>
<b>REVENUES</b>	
Local revenue	\$ 107,334
State revenue	2,108,717
Federal revenue	<u>42,555</u>
Total revenues	<u>2,258,606</u>
<b>EXPENDITURES</b>	
Current	
Instruction	1,266,129
Support services	843,909
Community services	29,688
Debt service	2,156
Facilities acquisition and construction	<u>151,304</u>
Total expenditures	<u>2,293,186</u>
Excess (deficiency) of revenues over (under) expenditures	(34,580)
Fund balance - beginning	<u>355,837</u>
Fund balance - ending	<u><u>\$ 321,257</u></u>

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

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

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

June 30, 2019

<b>Net change in fund balance</b>	\$	(34,580)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital asset additions	25,588	
Depreciation expense recorded in the current year	<u>(29,367)</u>	(3,779)

Long-term debt proceeds are reported as other financing sources, in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Debt issued	-	
Debt principal paid	<u>18,770</u>	18,770

Pension expense or credits that do not meet the measurable and available criteria are not recognized as revenue or expense in the current year in governmental funds. In the statement of activities, pension expense or credits are recognized when determined to have been accrued.

(2,770)

<b>Change in net position of governmental activities</b>	\$	<u><u>(22,359)</u></u>
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The accompanying notes are an integral part of these financial statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statements of activities) report information on all of the activities of the School. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported by the School.

**B. Reporting Entity**

Kings Valley Charter School operates under the authority of Philomath School District 17J, who grants a charter to the School and exercises oversight, as required by Oregon law. The School is reported as a component unit of Philomath School District 17J. The School began operations in 2001, serving the Kings Valley area. The School is subject to ORS 338 in connection with the operation of public charter schools. In accordance with ORS 338, the School is organized as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. The School is governed by a four-member board of directors.

**C. Income Taxes**

Kings Valley Charter School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The tax-exempt status can be revoked by the Internal Revenue Service as a result of direct violations of laws and regulations governing 501(c)(3) organizations. The School's operating policy requires strict adherence to these laws and regulations in order to maintain its tax-exempt status. Management's policy is to engage in activities related to their exempt purpose.

Management evaluates tax positions annually based on the guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740. FASB ASV 740 prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing, in the financial statements, tax position taken or expected to be taken on a tax return, including positions that the School is exempt from income taxes or not subject to income taxes on unrelated business income. The School presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits.

Generally, the School is subject to examination by U.S. federal and state income tax authorities for three years from the filing of a tax return.

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's fund. The emphasis of fund financial statements is on major governmental funds.

The School reports the following major governmental fund:

General Fund – The General Fund is the School's only operating fund. It accounts for all financial resources of the School. The primary sources of revenue are state and local revenues.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The 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 when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**F. Budgetary Information**

The School is not subject to Oregon Budget Law. The School prepares an annual budget for management purposes and for submission to its sponsoring district, as required under the terms of its charter. A budgetary comparison schedule is included in this report for additional analysis. Annual budgets are adopted on the modified accrual basis of accounting. Budget amounts shown in the financial statements reflect the original budget amounts.

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**G. Assets, Liabilities, and Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

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

**2. Investments**

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

**3. Inventory**

Inventory is valued at cost using the first-in, first out method. Inventories consist of supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

**4. Capital Assets**

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

Property, plant, and equipment of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles	10
Leasehold improvements	20

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

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

**5. Deferred Outflows/Inflows of Resources (Non-Pension Related)**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and therefore, will not be recognized as an inflow of resources until that time.

**6. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**7. Fund Balance Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**8. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The School reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The following classifications describe the relative strength of the spending constraints:

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



**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Commitment of fund balance is accomplished through adoption of a resolution by the board of directors. Further, commitments of fund balance may be modified or rescinded only through approval of the board of directors via resolution or ordinance. Authority to assign fund balances has been granted to the Executive Director.

The School has adopted a minimum fund balance policy. In general, the School strives to maintain minimum fund balance to be used for unanticipated emergencies of approximately 200% of budgeted payroll expenditures.

**H. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS' 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 accordance with the benefit terms. Investments are reported at fair value.

**I. Use of Estimates**

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

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**II. DETAILED NOTES ON THE FUND AND ALL ACCOUNT GROUPS**

**A. Cash Deposits with Financial Institutions**

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the School's deposits may not be returned. The School holds accounts at Citizens Bank, for which the FDIC provides insurance coverages of \$250,000 for demand deposit accounts and an additional \$250,000 for time and savings accounts. At June 30, 2019, the School had deposits of \$250,000 insured by the FDIC and \$70,191 of uninsured deposits.

Deposits

The School's deposits and investments at June 30, 2019 are as follows:

Cash on hand	\$ 50
Checking accounts	305,273
Savings accounts	<u>5,029</u>
Total deposits and investments	<u><u>\$ 310,352</u></u>

Deposits and investments by restriction type:

Governmental activities - unrestricted	
General Fund - cash and cash equivalents	\$ 298,997
Governmental activities - restricted	
General Fund	<u>11,355</u>
Total deposits and investments	<u><u>\$ 310,352</u></u>

Restricted cash is for future student activities, memorials, and grant expenditures.

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Leasehold improvements	\$ -	\$ 2,938	\$ -	\$ 2,938
Capital assets being depreciated				
Leasehold improvements	\$ 252,069	\$ 22,650	\$ -	\$ 274,719
Vehicles	160,443	-	-	160,443
Total capital assets being depreciated	<u>412,512</u>	<u>22,650</u>	<u>-</u>	<u>435,162</u>
Less accumulated depreciation for				
Leasehold improvements	(78,799)	(14,009)	-	(92,808)
Vehicles	(102,124)	(15,358)	-	(117,482)
Total accumulated depreciation	<u>(180,923)</u>	<u>(29,367)</u>	<u>-</u>	<u>(210,290)</u>
Governmental activities capital assets, net	<u>\$ 231,589</u>	<u>\$ (3,779)</u>	<u>\$ -</u>	<u>\$ 227,810</u>

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Construction in progress	\$ 2,938	\$ -	\$ 2,938
Leasehold improvements	274,719	(92,808)	181,911
Vehicles	<u>160,443</u>	<u>(117,482)</u>	<u>42,961</u>
Total governmental activities	<u>\$ 438,100</u>	<u>\$ (210,290)</u>	<u>\$ 227,810</u>

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

Governmental activities	
Unallocated depreciation	<u>\$ 29,367</u>

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

**C. Operating Leases**

The School has a long-term lease agreement with King Valley Community Trust, a related party, with terms as follows:

**1. School Premises Lease**

On February 6, 2014, the School signed a 15-year lease agreement for use of the building in which the School operates, ending on September 20, 2028. Payments of \$12,500 are due quarterly. Lease expense for the year ended June 30, 2019 was \$50,000.

Future estimated lease liabilities are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2020	\$ 50,000
2021	50,000
2022	50,000
2023	50,000
2024	50,000
2025-2029	<u>262,500</u>
Total	<u>\$ 512,500</u>

**D. Long-Term Liabilities**

**1. Changes in Long-Term Liabilities**

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

	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities							
Modern Building							
Systems Lease	13.57%	\$ 58,800	\$ 15,138	\$ -	\$ 15,138	\$ -	\$ -
Kubota Leasing	7.18%	<u>20,565</u>	<u>19,820</u>	<u>-</u>	<u>3,632</u>	<u>16,188</u>	<u>3,901</u>
		<u>\$ 79,365</u>	<u>\$ 34,958</u>	<u>\$ -</u>	<u>\$ 18,770</u>	<u>\$ 16,188</u>	<u>\$ 3,901</u>

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

Interest expense is recorded on the statement of activities as follows:

Governmental activities	
Interest on long-term debt	\$ <u>933</u>

**2. Modern Building Systems Lease**

The School entered into an agreement to lease a modular building on August 23, 2013. This lease agreement qualifies as a capital lease for accounting purposes and has therefore been recorded at the present value of minimum lease payments as of the inception date. Interest is fixed at 13.57%, and payments of \$1,355 are due on the first of each month. The lease is collateralized by the modular building. The obligation was fully liquidated at June 30, 2019.

**3. Kubota Lease**

The School entered into an agreement to lease Kubota equipment on February 9, 2018. This lease agreement qualifies as a capital lease for accounting purposes and has therefore been recorded at the present value of minimum lease payments as of the inception date. Interest is fixed at 7.18%, and payments of \$411 are due on the ninth of each month. The lease is collateralized by the Kubota equipment.

**4. Governmental Activity Future Maturities of Long-Term Liabilities**

Year ending <u>June 30:</u>	<u>Kubota Lease</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,901	\$ 1,035	\$ 4,936
2021	4,191	746	4,937
2022	4,502	435	4,937
2023	<u>3,594</u>	<u>108</u>	<u>3,702</u>
	<u>\$ 16,188</u>	<u>\$ 2,324</u>	<u>\$ 18,512</u>

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**E. Constraints on Fund Balances**

	<u>General Fund</u>
Fund balances:	
Restricted for:	
Student activities	\$ 11,355
Committed to:	
Building fund	24,668
Unassigned	<u>285,234</u>
Total fund balances	<u><u>\$ 321,257</u></u>

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Public Contracting Violation**

The School was not in compliance with ORS Chapters 279A, 279B, and 279C as they relate to public contracts and purchasing.

**IV. OTHER INFORMATION**

**A. Risk Management**

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

**B. Retirement Plans**

**1. Oregon Public Employees Retirement System**

*General Information about the Pension Plan*

Name of Pension Plan

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

Description of Benefit Terms

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

*Plan Benefits – PERS Pension (Chapter 238)*

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A

*PERS Pension*

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

*Pension Benefits*

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

*Death Benefits*

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

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

*Disability Benefits*

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for a either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

*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. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision.

OPSRP Pension Program (OPSRP DB)

*Pension Benefits*

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: police and fire – 1.8 percent is multiplied by the number of years of service and the final average salary.

Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

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



**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

*Disability Benefits*

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

*Benefit Changes After Retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision.

Contributions

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

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2019 were \$15,144.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: <https://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Oregon PERS and additions to/deductions from Oregon PERS' fiduciary net position have been determined on the same basis as they are reported by Oregon PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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 actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study	2016, published July 26, 2017
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><b>Health retirees and beneficiaries:</b> RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b> Mortality rates are a percentage of health retiree rates that vary by</p>

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

	group, as described in the valuation.  <b>Disabled retirees:</b> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex distinct, generational per scale BB, disabled mortality table.
--	--

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future.

Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2016 Experience Study, which reviewed experience for the four-year period ended December 31, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent. 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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. 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.

For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Assumed Asset Allocation

<u>Asset Class</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
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	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

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

At June 30, 2019, the School reported a liability of \$102,813 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018 the School's proportion was 0.00067869%.

For the year ended June 30, 2019, the School recognized pension expense of \$18,463.

At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,497	\$ -
Changes of assumptions	23,904	
Net difference between projected and actual earnings on investments	-	(4,565)
Changes in proportionate share	33,029	(47,116)
Differences between employer contributions and employer's proportionate share of system contributions	4,500	(3,188)
Total (prior to post-MD contributions)	64,930	(54,869)
Contributions subsequent to the MD	15,750	-
Total	<u>\$ 80,680</u>	<u>\$ (54,869)</u>

Amounts 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 of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
2020	\$ 11,619
2021	8,563
2022	(2,326)
2023	(6,368)
2024	(1,427)

*Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a higher discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

School's proportionate share of the net pension liability (asset):

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
<hr/>	<hr/>	<hr/>
\$ 171,819	\$ 102,813	\$ 45,853

*Changes Subsequent to the Measurement Date*

We are not aware of any changes subsequent to the June 30, 2018 measurement date that meet this requirement and thus would require a brief description under GASB standard.

**C. Related Party Transactions**

Kings Valley Charter School is a related party to People Sustaining Kings Valley (PSKV), which was created to provide a platform for entrepreneurial economic development activities, and to provide educational services to and hold and care for capital assets of the Kings Valley community. PSKV's 501(c)(3) application is pending. PSKV's bookkeeper also provides account services for the School. The amounts paid to PSKV during the year ended June 30, 2019 totaled \$1,453,333. The amount payable to PSKV as of June 30, 2019 was \$0.

Kings Valley Charter School is a related party to Kings Valley Community Trust, which was established for the benefit of holding assets for the School. The School leases the property on which the School operates from the Trust. In addition, the Trust's bookkeeper also provides accounting services for the School. Refer to Note II-C for information regarding the current year transactions.

**D. Concentrations of Funding Sources**

Kings Valley Charter School received a significant portion of its revenue from the state school fund. For the year ended June 30, 2019, the School received approximately 91% of its total revenue from the state school fund.

**E. Commitments and Contingencies**

A substantial portion of operating funding is received from the State of Oregon through Philomath School District 17J. State funding is determined through statewide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections are pupil counts fluctuate, they can cause either increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on operations cannot be determined.

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**F. New Pronouncements**

For the fiscal year ended June 30, 2019, the School implemented the following new accounting standards:

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements* – This statement addresses the information that is disclosed in the notes to government financial statements related to debt, including borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

GASB Statement No. 85, *Omnibus 2017* – This statement addresses practice issues identified during implementation of other GASB Statements, including blending component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* – This statement addresses the accounting and financial reporting for in-substance defeasance of debt where existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt.

The School will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the following pronouncements:

GASB Statement No. 84, *Fiduciary Activities* – This statement established criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds. The statement is effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, *Leases* – This statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The statement is effective for fiscal years beginning after December 15, 2019.

**G. Subsequent Events**

Management has evaluated subsequent events through December 9, 2019, which was the date that the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTAL INFORMATION**



## **OREGON PERS SYSTEM**

### **Schedule of the School's Proportionate Share of the Net Pension Liability**

	2019	2018	2017	2016	2015
School's Proportion of the net pension liability (asset)	0.00067869%	0.00122586%	0.00063725%	0.00055280%	0.00089963%
School's proportionate share of the net pension liability (asset)	\$ 102,813	\$ 165,246	\$ 95,666	\$ 31,739	\$ (20,392)
School's covered-employee payroll (from actuarial exhibits)	\$ 49,732	\$ 82,844	\$ 37,885	\$ 28,099	\$ 27,087
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207%	199%	253%	113%	-75%
Plan fiduciary net position as a percentage of the total pension liability	82%	83%	81%	92%	104%

### **Schedule of the School's Contributions**

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 15,144	\$ 13,608	\$ 8,239	\$ 10,420	\$ 8,698
Contributions in relation to the contractually required contribution	(15,144)	(13,608)	(8,239)	(10,420)	(8,698)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered-employee payroll	\$ 74,345	\$ 85,581	\$ 62,377	\$ 91,875	\$ 41,891
Contributions as a percentage of covered-employee payroll	20%	16%	13%	11%	21%

## **OTHER INFORMATION**

**KINGS VALLEY CHARTER SCHOOL**  
**Philomath, Oregon**

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

GENERAL FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	GAAP Basis
<b>REVENUES</b>			
Local revenue	\$ 99,867	\$ 7,467	\$ 107,334
State revenue	2,112,861	(4,144)	2,108,717
Federal revenue	13,477	29,078	42,555
Total revenues	<u>2,226,205</u>	<u>32,401</u>	<u>2,258,606</u>
<b>EXPENDITURES</b>			
Current			
Instruction	1,274,678	(8,549)	1,266,129
Support services	752,774	91,135	843,909
Community services	30,135	(447)	29,688
Debt service	6,511	(4,355)	2,156
Facilities acquisition and construction	<u>119,298</u>	<u>32,006</u>	<u>151,304</u>
Total expenditures	<u>2,183,396</u>	<u>109,790</u>	<u>2,293,186</u>
Excess (deficiency) of revenues over (under) expenditures	42,809	(77,389)	(34,580)
Fund balance - beginning	<u>-</u>	<u>355,837</u>	<u>355,837</u>
Fund balance - ending	<u>\$ 42,809</u>	<u>\$ 278,448</u>	<u>\$ 321,257</u>

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



**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors  
Kings Valley Charter School  
Philomath, Oregon 97370

We have audited the financial statements of Kings Valley Charter School, Philomath, Oregon, a component unit of Philomath School District 17J, as of and for the year ended June 30, 2019, and have issued our report thereon dated December 9, 2019. 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 Kings Valley Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

**Insurance and fidelity bonds in force or required by law**

**Programs funded from outside sources**

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

**Public charter school requirements**

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

#### **A. Public Contracting Violation**

The School was not in compliance with ORS Chapters 279A, 279B, and 279C as they relate to public contracts and purchasing.

#### **OAR 162-010-0230 Internal Control**

In planning and performing our audit, we considered the School'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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting. However, we noted certain matters that we have reported to management of the School in a separate letter dated December 9, 2019.

This report is intended solely for the information and use of the board of directors and management of Kings Valley Charter School, Philomath School District 17J, and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is stylized and cursive.

Accuity, LLC

December 9, 2019

**Appendix D: Proof of Insurance**



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

02/10/2020

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b>  <b>Rhodes-Warden Insurance Inc.</b> <b>PO Box 2660</b> <b>Albany, OR 97321</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2"><b>CONTACT NAME:</b> Bob Foster</td> </tr> <tr> <td><b>PHONE (A/C, No, Ext):</b> 541-967-8062</td> <td><b>FAX (A/C, No):</b> 541-967-4169</td> </tr> <tr> <td colspan="2"><b>E-MAIL ADDRESS:</b> bfoster@rhodeswardenins.com</td> </tr> <tr> <td colspan="2" style="text-align: center;"><b>INSURER(S) AFFORDING COVERAGE</b></td> </tr> <tr> <td colspan="2"><b>INSURER A :</b> Special Districts Association of Oregon</td> </tr> <tr> <td colspan="2"><b>INSURER B :</b> SAIF Corporation</td> </tr> <tr> <td colspan="2"><b>INSURER C :</b></td> </tr> <tr> <td colspan="2"><b>INSURER D :</b></td> </tr> <tr> <td colspan="2"><b>INSURER E :</b></td> </tr> <tr> <td colspan="2"><b>INSURER F :</b></td> </tr> </table>	<b>CONTACT NAME:</b> Bob Foster		<b>PHONE (A/C, No, Ext):</b> 541-967-8062	<b>FAX (A/C, No):</b> 541-967-4169	<b>E-MAIL ADDRESS:</b> bfoster@rhodeswardenins.com		<b>INSURER(S) AFFORDING COVERAGE</b>		<b>INSURER A :</b> Special Districts Association of Oregon		<b>INSURER B :</b> SAIF Corporation		<b>INSURER C :</b>		<b>INSURER D :</b>		<b>INSURER E :</b>		<b>INSURER F :</b>	
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<b>INSURER F :</b>																					
<b>INSURED</b>  <b>Kings Valley Charter School</b> <b>38840 Kings Valley Highway</b> <b>Philomath, OR 97370</b>																					

## COVERAGES

**CERTIFICATE NUMBER: 91014939-205264**

**REVISION NUMBER: 27**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
<b>A</b>	<b>COMMERCIAL GENERAL LIABILITY</b>  <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR <b>X Educators Liability</b>  GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:			<b>34P60168-1020</b>	<b>07/01/2019</b>	<b>07/01/2020</b>	EACH OCCURRENCE \$ <b>20,000,000</b> DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ <b>30,000,000</b> PRODUCTS - COMP/OP AGG \$ \$
<b>A</b>	<b>AUTOMOBILE LIABILITY</b>  <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input checked="" type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY			<b>34P60168-1020</b>	<b>07/01/2019</b>	<b>07/01/2020</b>	COMBINED SINGLE LIMIT (Ea accident) \$ <b>500,000</b> BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ <b>Excess Liab</b> \$ <b>14500000</b>
	<b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE DED <input type="checkbox"/> RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
<b>B</b>	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y / N <input type="checkbox"/> N / A (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below			<b>956899</b>	<b>09/01/2019</b>	<b>09/01/2020</b>	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER \$ <b>500,000</b> E.L. EACH ACCIDENT \$ <b>500,000</b> E.L. DISEASE - EA EMPLOYEE \$ <b>500,000</b> E.L. DISEASE - POLICY LIMIT \$ <b>500,000</b>

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

## CERTIFICATE HOLDER

## CANCELLATION

<b>Kings Valley Charter School</b> <b>38840 Kings Valley Highway</b> <b>Philomath, OR 97370</b>	<p>SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.</p> <p>AUTHORIZED REPRESENTATIVE</p> <p style="text-align: center;"><i>R Foster</i></p> <p style="text-align: right;">(RMF)</p>
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