

**Title: Annual Report 2017-2018**

**Control Information**

<b>Control Item</b>	<b>Details</b>
Owner/Curator	Jamon Ellingson
Policy #	KVK
Supersedes	None
File Location	www.kvschool.org
Board approval date	

**Revision History**

<b>Revision</b>	<b>Date</b>	<b>Revision Description</b>	<b>Originator</b>
A	12/17/2018	Original	J.Ellingson/ M.Castle

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## 1.1. Summary:

The Kings Valley Charter School completed the 17<sup>th</sup> year of operation in the 2017-2018 school year. The school has been successful by many measures. The current report year is no exception. The school is producing good test scores and is financially stable. Enrollment is currently at 205 students (January 17, 2019).

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.

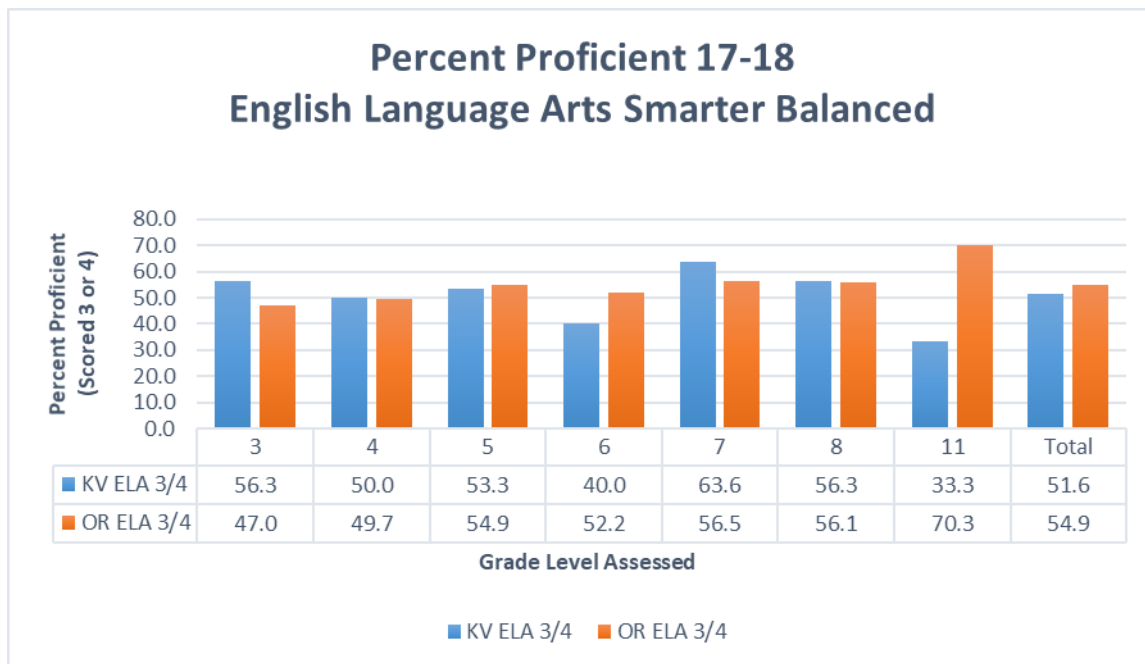
KVCS will provide other supporting documents as needed or requested to support findings.

## 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

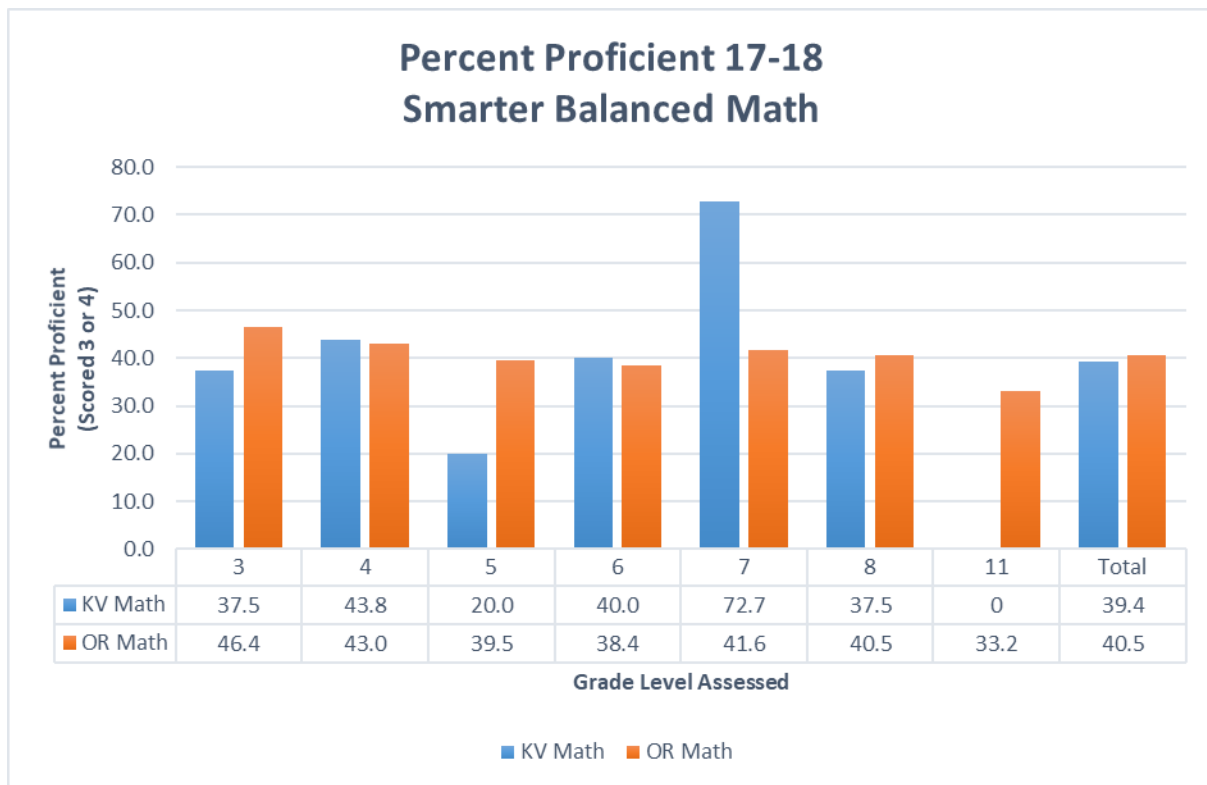
##### i. English Language Arts



Student scores for smarter balanced ELA are similar to or better than the state in most grades. 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 as there are opportunities to improve. Sample sizes are small and can be highly variable and should be considered when analyzing this data.

KVCS is pleased with student progress in reading and writing. The KVCS board and staff are dedicated to student success and evaluate progress regularly (see DRA II data in section c). We have added additional progress monitoring tools for the 18-19 school year. Our Boost (reading remediation) program is well staffed and reaching students regularly. Through remediation efforts and an effective SPED program, we hope to show continued success for all student groups.

ii. Math by Grade



11<sup>th</sup> grade cohort was too small to report math data.

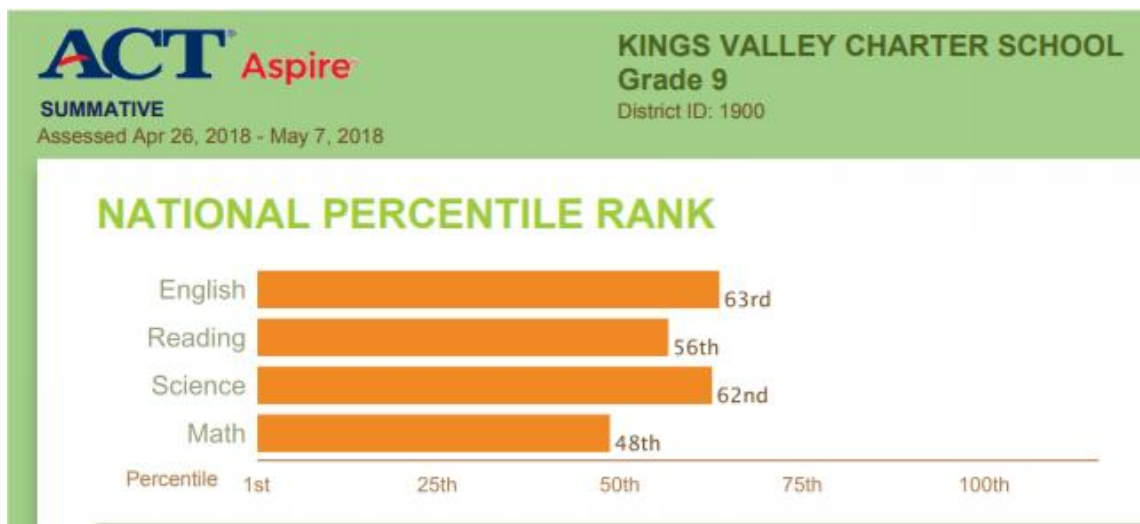
Student scores for Smarter Balanced Math are similar to or better than the state in almost all grades. Our test results in the 5th grade class are lower than desired. Our new monitoring tool will help identify the reasons. We have made significant adjustments by changing our math curriculum for the 2018-19 school year. This adjustment includes a new progress monitoring tool that identifies more specific areas of deficit and strength for individual students. 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.

Middle school performance shows favorable results. This could be considered an indicator of how KVCS students are well-prepared as they continue academic progress. Further investigation around number of years at KV related to performance might be helpful, and can be shared with the Superintendent. Again, the small sample size makes this data highly variable and should be considered when analyzing.

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 2018.
- Half of the students (50%) met the score requirement for Reading Essential Skill (425)
- One third (36%) met the score requirement (431) for Math Essential Skill
- 29% met both reading and math Essential Skill score requirements.

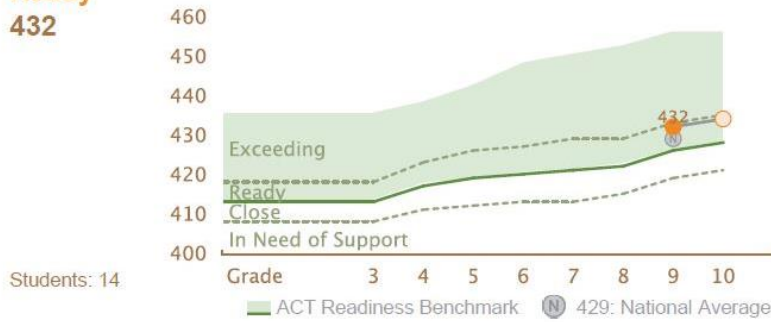


The ranks show how this group performed in comparison to other grade 9 students in the nation.

The data below shows current and predicted path for college and career readiness. Many of our 9<sup>th</sup> students are ready or “close.”

### ENGLISH

**Ready**  
432

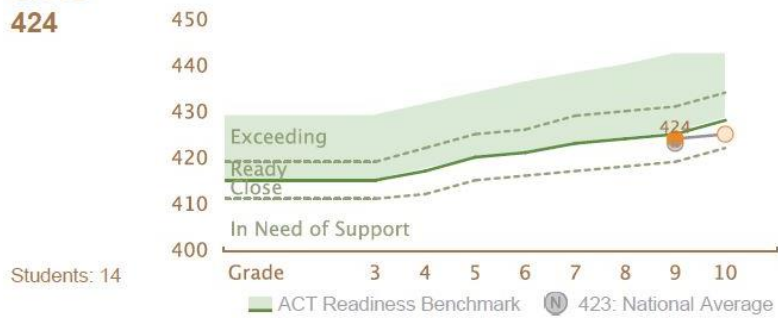


**PREDICTED**

- All Your Students
- Your Students with Score History
- Current Average
- Current and Past Average
- Predicted Average

### READING

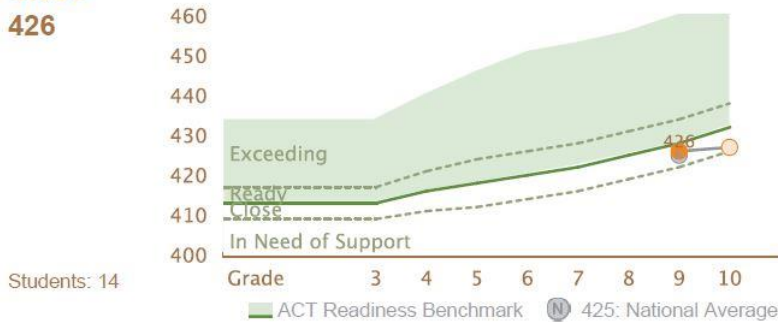
**Close**  
424



**PREDICTED ACT SCORE**  
21.3

### MATH

**Close**  
426

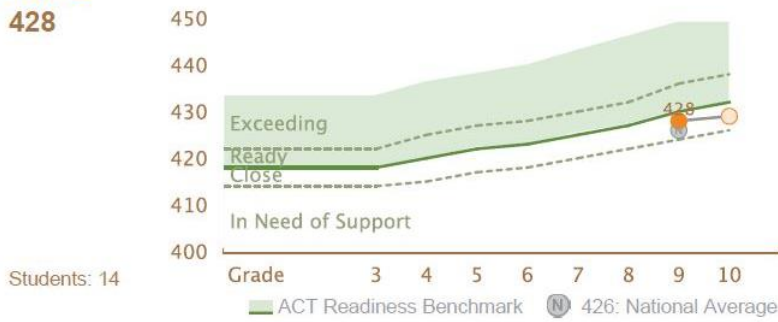


**PREDICTED ACT SCORE**  
20.2

**SCIENCE**

**Close**  
428

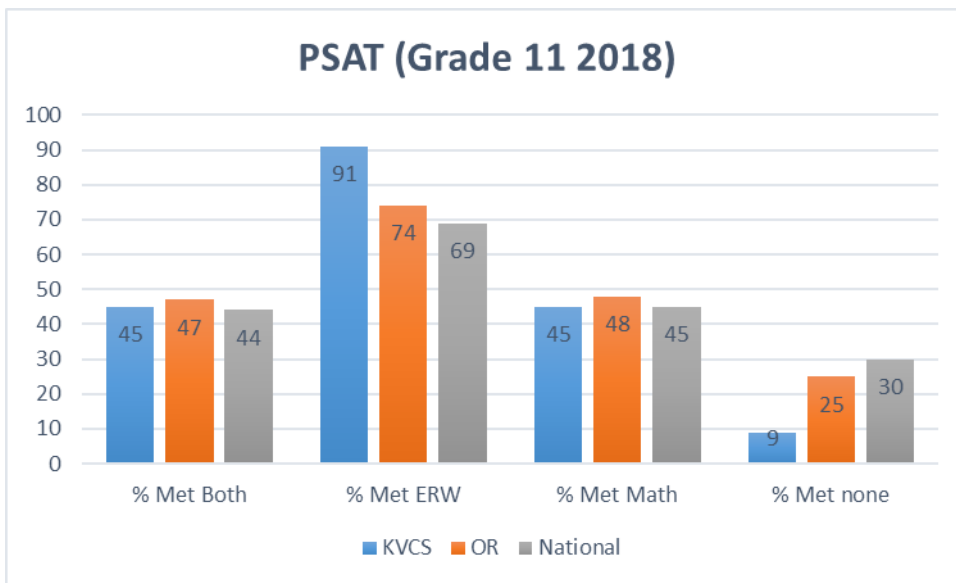
**PREDICTED  
ACT SCORE**  
21.5



ii. PSAT Data

The PSAT Data for 2017-18 was not scored for this school year. 2018-19 data is provided to show KVCS progress in academics. Students at KVCS are performing similarly to the nation and Oregon and slightly higher in English/Reading/Writing.

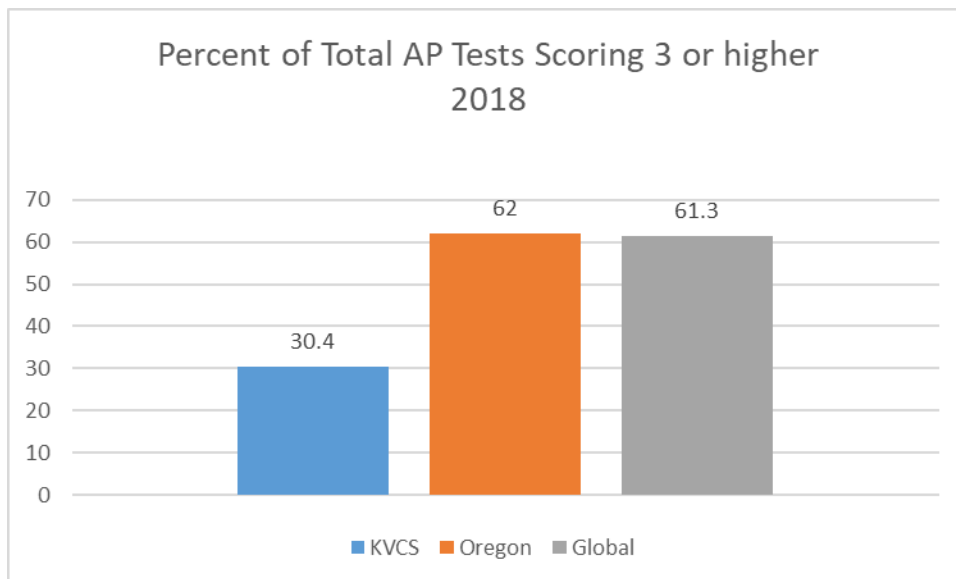
This year's 11<sup>th</sup> grade PSAT (Oct 2018)



iii. AP Test pass rates: This is data from this reporting year: 2017-2018

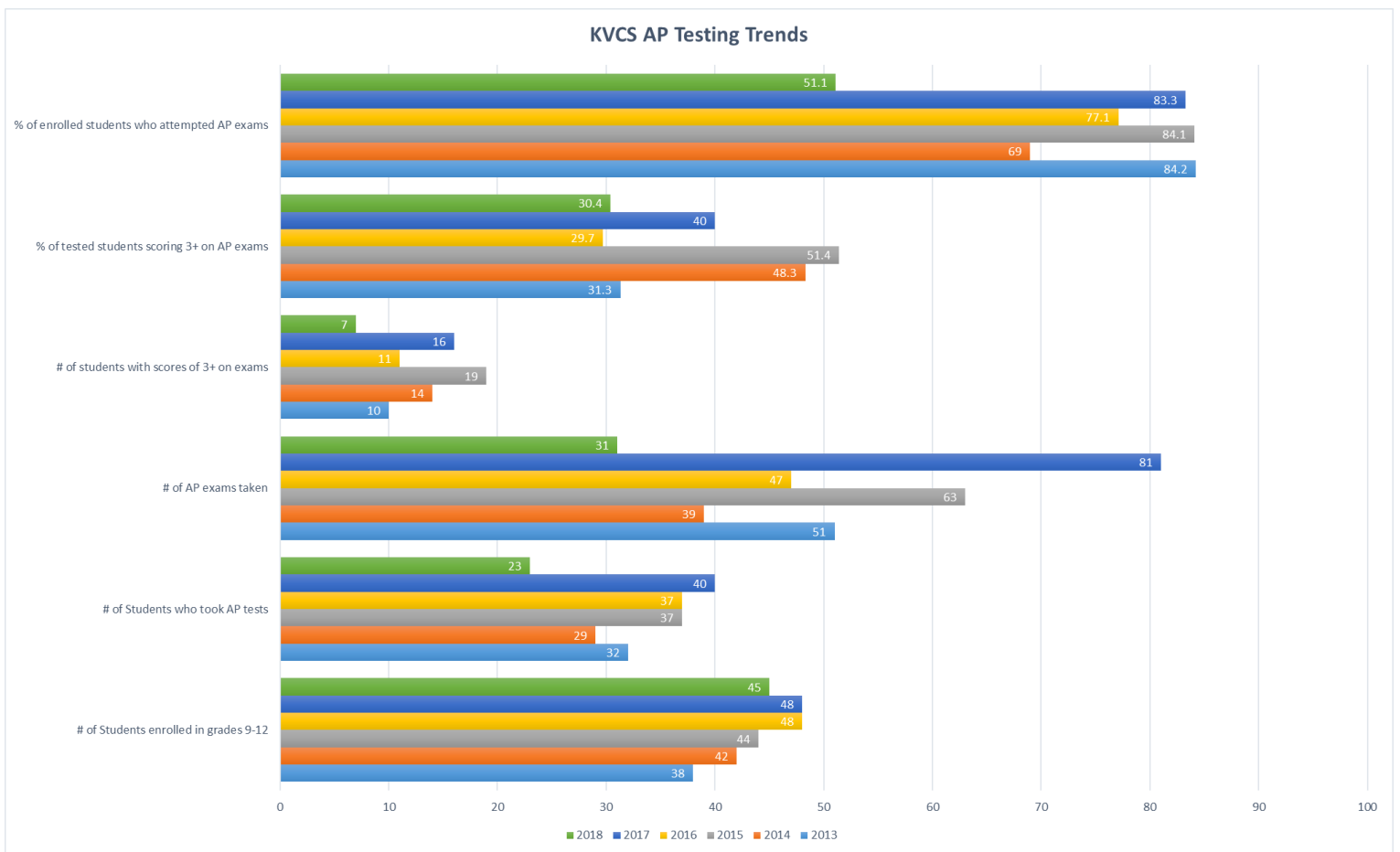
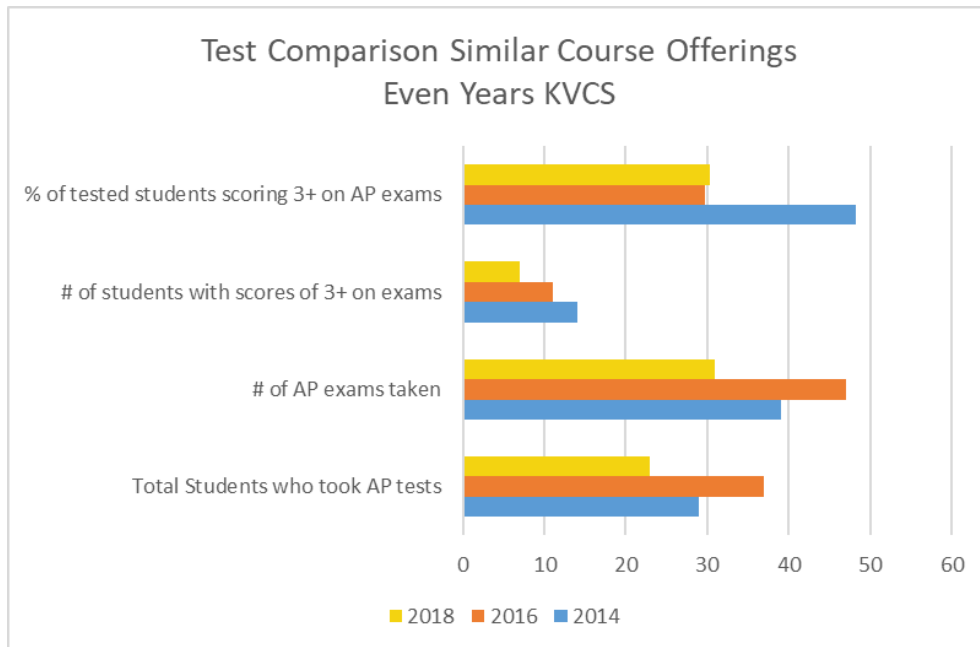
The KVCS continues to encourage all students to attempt an Advanced Placement course. The KVCS pays for the tests to ensure students have opportunities to challenge themselves and gain understanding of what these tests involve. In this report year, students in grade 9 and 10 had opportunity in AP Environmental Science, and students in grades 11 and 12 had access to AP Chemistry and AP Calculus.

This report covers the 8th year of AP curriculum at KVCS. Our pass rate of 30% is lower than the previous year, but there is variability in our data due to small sample size. We also offered fewer AP courses and had fewer students in those courses. Just over half of our enrolled students attempted an AP exam, which was our smallest group to date. The lower comparison pass rate is a result of our philosophy of challenging all students to try these tests.





AP Test Score Results: Compared to the previous similar testing year (2016), our percent of students scoring 3+ on similar exams improved slightly.



iv. ACT results

No students took the ACT in 2017-2018

v. SAT Data

Student participation in SAT in 2017-2018 was 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
% on grade level reading (DRA)*	80%	15%		27%					24%				26%	
% above grade levels reading		62%		32%					43%				44%	
% showing improvement this quarter reading	80%	82%							56%				69%	
% showing improvement yearly reading *	80%	90%												70%

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 is evaluating additional methods for screening and monitoring student progress for 2018-19 school year. We are improving our data collection system to improve and inform decision making.

ii. Math Progress:

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. 90% of our students are working on or above grade level in elementary and middle school. 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 school year.

**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 Melissa Goff and Bill Mancuso and is attached to this document

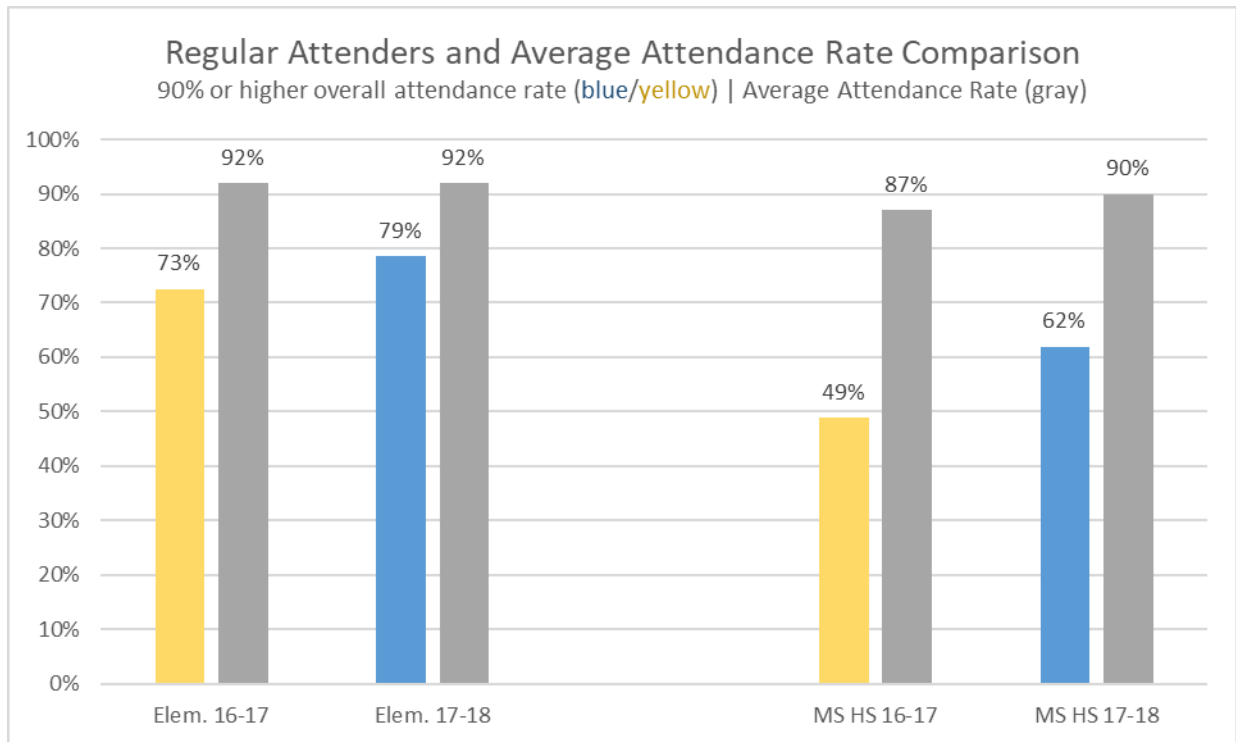
**1.2.5. Policy development issues.**

This is to be updated

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

There were 22.5 days of out-of-school suspension and 1.8 days of in-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 2018-19 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.



Attendance rates are reported to the district annually during their October and February board meetings. The data above shows significant improvement from the previous year. 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.

The data from our monthly behavior statistics are below:

	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Behavior playground		5	18	14	13	23	22	20	22	0
Fights referred to the office		1	3	8	3	3	8	4	5	0

**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 0.052 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.

	Goal	Last Time	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Volunteer Rate (hours/student/day) *		0.06	0.047	0.088	0.082	0.230	0.058	0.061	0.052	0.050	

**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.

**General Satisfaction 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%
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%

The results are similar to previous years.  
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**

Discussed on 3/19/2018 and then Revised on 9/13/18 - KVP 9002C – Student Development Based Placement Policy Challenge Level. Early Entrance into Kindergarten. Cutoff date

updated to September 30<sup>th</sup> for promotion from preschool.

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 using a “Guided Reading Program”<sup>1</sup> and 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 were 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 for the 2017-18 school year. We hope to add more programs in the near future.

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

The KVCS is using a “Guided Reading 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.

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

<sup>1</sup> [http://teacher.scholastic.com/products/guidedreading/pdfs/GR\\_Research%20Base.pdf](http://teacher.scholastic.com/products/guidedreading/pdfs/GR_Research%20Base.pdf)

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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.

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.

Teachers have worked to develop relationships with LBCC to improve opportunities for students. These include CLEP testing 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

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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. Only a few students have taken 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.

**(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 2017-18 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 file cabinets  
We had no request for paper copies of records.

**(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 2017-18 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 has one Tort claim from the 2017-18 school year

**(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. The 2018-19 school year will include the addition of a new well and storage tank within a new building. 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 a good score on the report from 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.

**(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
Policy #	KVK draft
Supersedes	None
File Location	www.kvschool.org
Board approval date	

### 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 that will begin after our thanksgiving break.

**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 new LEDGE 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%

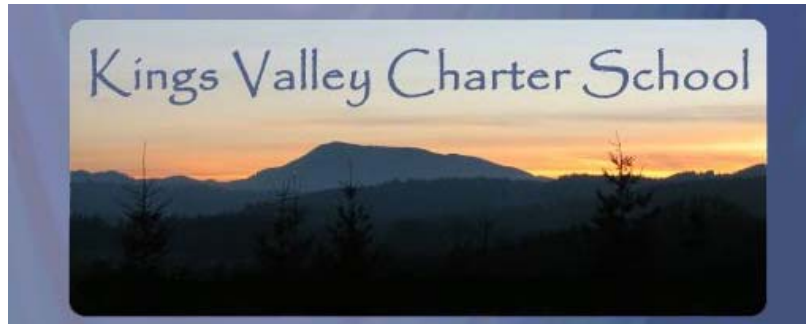
Kings Valley Charter School

Total Surveyed	26	13	17	6
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**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**



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

ANNUAL FINANCIAL REPORT

June 30, 2018



**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, 2018

**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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## **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 17], as of and for the year ended June 30, 2018, 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, 2018, 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, 2018, the School adopted new accounting guidance: GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, No. 85, *Omnibus 2017*, and No. 86, *Certain Debt Extinguishment Issues*. 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 38, 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 30, 2018, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance

Accuity, LLC

By:   
\_\_\_\_\_

Glen O. Kearns, CPA

Albany, Oregon  
December 30, 2018

## **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, 2018. It should be read in conjunction with the School's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2018, total net position of Kings Valley Charter School amounted to \$478,236. Of this amount, \$196,631 was invested in capital assets, net of related debt. The remaining balance included \$11,355 restricted for various activities, and \$270,250 of unrestricted net position.
- The School's total net position increased by \$62,600 during the current fiscal year.
- Overall revenue of \$2,194,735 exceeded total expenditures of \$2,132,135 by \$62,600.

**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 37 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 38 through 39 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, 2018, the School's assets exceeded its liabilities by \$478,236.

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 increased by \$62,600 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>	
	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets	\$ 306,913	\$ 238,817
Restricted assets	11,355	15,128
Other assets	61,872	61,472
Capital assets, net of accumulated depreciation	<u>231,589</u>	<u>221,540</u>
Total assets	<u>611,729</u>	<u>536,957</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>98,873</u>	<u>58,979</u>
<b>LIABILITIES</b>		
Current liabilities	43,073	63,450
Noncurrent liabilities	<u>181,434</u>	<u>110,804</u>
Total liabilities	<u>224,507</u>	<u>174,254</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>7,859</u>	<u>6,046</u>
<b>NET POSITION</b>		
Net investment in capital assets	196,631	193,185
Restricted	11,355	15,128
Unrestricted	<u>270,250</u>	<u>207,323</u>
Total net position	<u>\$ 478,236</u>	<u>\$ 415,636</u>

**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>	
	2018	2017
<b>Program revenues</b>		
Charges for services	\$ 30,702	\$ 40,333
Operating grants and contributions	102,645	109,269
Total program revenues	133,347	149,602
<b>General revenues</b>		
State school fund – general support	2,005,041	1,722,107
Investment earnings	405	397
Miscellaneous	55,942	19,327
Total general revenues	2,061,388	1,741,831
Total revenues	2,194,735	1,891,433
<b>Program expenses</b>		
Instruction	1,073,959	898,275
Support services	820,188	634,926
Community services	105,917	122,420
Facilities acquisition and construction	101,494	69,602
Unallocated depreciation	27,366	25,749
Interest on long-term debt	3,211	5,337
Total program expenses	2,132,135	1,756,309
<b>Change in net position</b>	62,600	135,124
<b>Net position - beginning</b>	415,636	280,512
<b>Net position - ending</b>	\$ 478,236	\$ 415,636

**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 \$355,837 an increase of \$90,653 from the prior year. Of this \$319,814 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, 2018 amounted to \$231,589, 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 \$27,366. Additional information on the School's capital assets can be found in Note II-B on page 24 of this report.

**Long-Term Liabilities**

At the end of the current fiscal year, the School had total long-term liabilities outstanding of \$34,958. This amount relates to one capital lease. The School's total long-term liabilities increased by \$6,603 during the current fiscal year.

**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 buiding 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 \$319,814 and will be available for program resources in the 2018-2019 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 STATEMENTS**

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

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 283,157
Accounts receivable	23,756
Total current assets	306,913
Restricted assets	
Cash and cash equivalents	11,355
Investments	61,872
Capital assets being depreciated, net	231,589
Total assets	611,729
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	98,873
<b>LIABILITIES</b>	
Current liabilities	
Accrued payroll	24,303
Capital lease, current portion	18,770
Total current liabilities	43,073
Noncurrent liabilities	
Capital lease, less current portion	16,188
Net pension liability	165,246
Total noncurrent liabilities	181,434
Total liabilities	224,507
<b>DEFERRED INFLOWS OF RESOURCES</b>	7,859
<b>NET POSITION</b>	
Net investment in capital assets	196,631
Restricted for various activities	11,355
Unrestricted	270,250
Total net position	\$ 478,236

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, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities				
Instruction				
Regular programs	\$ 1,073,959	\$ 30,702	\$ 102,645	\$ (940,612)
Support services				
Instructional support services	12,698	-	-	(12,698)
General administrative support	44,417	-	-	(44,417)
School administrative support	538,296	-	-	(538,296)
Business support services	224,777	-	-	(224,777)
Community services				
Enterprise and community services	105,917	-	-	(105,917)
Facilities acquisition and construction	101,494	-	-	(101,494)
Unallocated depreciation	27,366	-	-	(27,366)
Interest on long term debt	3,211	-	-	(3,211)
Total governmental activities	<u>\$ 2,132,135</u>	<u>\$ 30,702</u>	<u>\$ 102,645</u>	<u>\$ (1,998,788)</u>
General revenues				
State school fund - general support				2,005,041
Investment earnings				405
Miscellaneous				<u>55,942</u>
Total general revenues				<u>2,061,388</u>
Change in net position				62,600
Net position - beginning				<u>415,636</u>
Net position - ending				<u>\$ 478,236</u>

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

**KINGS VALLEY CHARTER SCHOOL  
Philomath, Oregon**

BALANCE SHEET

GOVERNMENTAL FUND

June 30, 2018

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 294,512
Accounts receivable	23,756
Investments	61,872
	<hr/>
Total assets	\$ 380,140
	<hr/>
<b>LIABILITIES</b>	
Current	
Accrued payroll	\$ 24,303
	<hr/>
<b>FUND BALANCE</b>	
Restricted for various activities	11,355
Committed to facilities acquisition	24,668
Unassigned	319,814
	<hr/>
Total fund balance	355,837
	<hr/>
Total liabilities and fund balance	\$ 380,140
	<hr/>

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, 2018

<b>Total fund balance</b>		\$ 355,837
<p>Capital assets are not financial resources and are therefore not reported in the governmental funds. These consist of:</p>		
Cost	412,512	
Accumulated depreciation	<u>(180,923)</u>	231,589
<p>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:</p>		
Capital lease payable		(34,958)
<p>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:</p>		
Deferred outflows of resources relating to pension expense	98,873	
Deferred inflows of resources relating to the return on pension assets	(7,859)	
Net pension liability	<u>(165,246)</u>	<u>(74,232)</u>
<b>Net position of governmental activities</b>		<u><u>\$ 478,236</u></u>

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, 2018

	General Fund
<b>REVENUES</b>	
Local revenue	\$ 120,446
State revenue	2,055,343
Federal revenue	18,946
Total revenues	2,194,735
<b>EXPENDITURES</b>	
Current	
Instruction	1,072,324
Support services	806,284
Community services	105,917
Debt service	4,846
Facilities acquisition and construction	114,711
Total expenditures	2,104,082
Excess (deficiency) of revenues over (under) expenditures	90,653
Fund balance - beginning	265,184
Fund balance - ending	\$ 355,837

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, 2018

**Net change in fund balance** \$ 90,653

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	37,415	
Depreciation expense recorded in the current year	<u>(27,366)</u>	10,049

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	(20,565)	
Debt principal paid	<u>13,962</u>	(6,603)

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.

<b>Change in net position of governmental activities</b>		<u><u>\$ 62,600</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, 2018

**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.

Tax returns for fiscal years ending after 2014 remain open to examination.

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**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, 2018

**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**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, 2018

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**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

- 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**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

**A. Deposits and Investments**

Credit Risk

Oregon statutes authorize the School to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The board may authorize the investment or reinvestment of funds that are not immediately needed for operations of the School. Such investments will comply with state law and Oregon Administrative Rules.

Investments

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Citizens Bank			
Certificate of deposit	Unrated	4/29/2019	\$ 61,872

Interest Rate Risk

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

Concentration of Credit Risk

The School does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100% of the School's investments are in a certificate of deposit held at Citizen's Bank.

Custodial Credit Risk - Investments

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

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the School's deposits may not be returned.

**KINGS VALLEY CHARTER SCHOOL**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, 2018, the School had deposits of \$250,000 insured by the FDIC and \$131,723 of uninsured deposits.

Deposits

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

Cash on hand	\$ 41
Checking accounts	289,442
Savings accounts	5,029
Investments	<u>61,872</u>
Total deposits and investments	<u>\$ 356,384</u>

Deposits and investments by restriction type:

Governmental activities - unrestricted	
General Fund - cash and cash equivalents	\$ 283,157
General Fund - investments	<u>61,872</u>
Governmental activities - unrestricted total	<u>345,029</u>
Governmental activities - restricted	
General Fund	<u>11,355</u>
Total deposits and investments	<u>\$ 356,384</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, 2018

**B. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets being depreciated				
Leasehold improvements	\$ 235,219	\$ 16,850	\$ -	\$ 252,069
Vehicles	139,878	20,565	-	160,443
Total capital assets being depreciated	375,097	37,415	-	412,512
Less accumulated depreciation for				
Leasehold improvements	(65,992)	(12,807)	-	(78,799)
Vehicles	(87,565)	(14,559)	-	(102,124)
Total accumulated depreciation	(153,557)	(27,366)	-	(180,923)
Governmental activities capital assets, net	\$ 221,540	\$ 10,049	\$ -	\$ 231,589

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Leasehold improvements	\$ 252,069	\$ (78,799)	\$ 173,270
Vehicles	160,443	(102,124)	58,319
Total governmental activities	\$ 412,512	\$ (180,923)	\$ 231,589

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	\$ 27,366

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**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, 2018 was \$50,000.

Future estimated lease liabilities are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2019	\$ 50,000
2020	50,000
2021	50,000
2022	50,000
2023	50,000
2024-2028	250,000
2029	<u>62,500</u>
Total	<u>\$ 562,500</u>

**2. Property Lease**

On February 6, 2014, the School signed a five-year lease agreement for use of the eight acres of land on which the School operates, ending on February 28, 2019. Payments of \$2,000 are due monthly. Lease expense for the year ended June 30, 2018 was \$24,000.

Future estimated lease liabilities are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2019	<u>\$ 16,000</u>

**KINGS VALLEY CHARTER SCHOOL**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**D. Long-Term Liabilities**

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

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

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Modern Building							
Systems Lease	13.57%	\$ 58,800	\$ 28,355	\$ -	\$ 13,217	\$ 15,138	\$ 15,138
Kubota Leasing	7.18%	<u>20,565</u>	<u>-</u>	<u>20,565</u>	<u>745</u>	<u>19,820</u>	<u>3,632</u>
		<u>\$ 79,365</u>	<u>\$ 28,355</u>	<u>\$ 20,565</u>	<u>\$ 13,962</u>	<u>\$ 34,958</u>	<u>\$ 18,770</u>

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

Governmental activities	
Interest on long-term debt	<u>\$ 3,211</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.

**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.

**KINGS VALLEY CHARTER SCHOOL**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

Year ending June 30:	Modern Building Systems Lease			Kubota Lease		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 15,138	\$ 1,134	\$ 16,272	\$ 3,632	\$ 1,305	\$ 4,937
2020	-	-	-	3,901	1,035	4,936
2021	-	-	-	4,191	746	4,937
2022	-	-	-	4,502	435	4,937
2023	-	-	-	3,594	108	3,702
	<u>\$ 15,138</u>	<u>\$ 1,134</u>	<u>\$ 16,272</u>	<u>\$ 19,820</u>	<u>\$ 3,629</u>	<u>\$ 23,449</u>

**E. Constraints on Fund Balances**

	Fund
Fund balances:	
Restricted for:	
Student activities	\$ 11,355
Committed to:	
Building fund	24,668
Unassigned	<u>319,814</u>
Total fund balances	<u>\$ 355,837</u>

**III. 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.

**KINGS VALLEY CHARTER SCHOOL**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**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

*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

**KINGS VALLEY CHARTER SCHOOL**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

*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 either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

*Benefit Changes after Retirement*

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

Under ORS 238.360 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.



**KINGS VALLEY CHARTER SCHOOL**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

*Death Benefits*

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

*Disability Benefits*

A member who has accrued 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, 2018 were \$13,607.

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.

**KINGS VALLEY CHARTER SCHOOL**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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 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, 2015
Measurement Date	June 30, 2017
Experience Study	2014, published September 2015
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent
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.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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 group, as described in the valuation.</p> <p><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.</p>
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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 2014 Experience Study, which reviewed experience for the four-year period ended December 31, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.50. 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.

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/2017-CAFR.pdf>.

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, 2018, the School reported a liability of \$165,246 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2017, 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, 2017 the School's proportion was 0.00122586%.

For the year ended June 30, 2018, the School recognized pension expense of \$44,283. At June 30, 2018, 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, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,991	\$ -
Changes of assumptions	30,121	
Net difference between projected and actual earnings on investments	1,702	-
Changes in proportionate share	43,357	(3,249)
Differences between employer contributions and employer's proportionate share of system contributions	3,059	(4,610)
Total (prior to post-MD contributions)	86,230	(7,859)
Contributions subsequent to the MD	12,643	-
Total	\$ 98,873	\$ (7,859)

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, 2018. 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)
2019	\$ 16,504
2020	30,132
2021	24,004
2022	4,962
2023	2,769

*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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$ 281,610	\$ 165,246	\$ 67,945

*Changes in Assumptions*

The Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.20% assumed rate. The rule specifies that the adopted assumed rate will be effective for PERS transactions with an effective date of January 1, 2018, consistent with this Board's policy decision from 2013 that the assumed rate will be effective January 1 following the Board's adoption of the rate. A January 1 effective date also provides equitable treatment to all members who retires in a year that a change is adopted, no matter which month they retire. The adopted assumed rate will be aligned with the new actuarial equivalency factors (AEFs), which will allow for a clear effective date for all transactions that involve calculations using both the rate and AEF components.

**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, 2018 totaled \$758,955. The amount payable to PSKV as of June 30, 2018 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, 2018, the School received approximately 91% of its total revenue from the state school fund.

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**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.

**F. New Pronouncements**

For the fiscal year ended June 30, 2018, the School implemented the following new accounting standards:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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. The statement is effective for fiscal years beginning after June 15, 2018.

**G. Subsequent Events**

Management has evaluated subsequent events through December 30, 2018, which was the date that the financial statements were available to be issued.



**REQUIRED SUPPLEMENTAL INFORMATION**

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

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS

**OREGON PERS SYSTEM**

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

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

**Schedule of the School's Contributions**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 13,608	\$ 8,239	\$ 10,420	\$ 8,698
Contributions in relation to the contractually required contribution	<u>(13,608)</u>	<u>(8,239)</u>	<u>(10,420)</u>	<u>(8,698)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School's covered-employee payroll	\$ 85,581	\$ 62,377	\$ 91,875	\$ 41,891
Contributions as a percentage of covered-employee payroll	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, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	GAAP Basis
<b>REVENUES</b>			
Local revenue	\$ 65,459	\$ 54,987	\$ 120,446
State revenue	1,950,851	104,492	2,055,343
Federal revenue	53,687	(34,741)	18,946
Total revenues	2,069,997	124,738	2,194,735
<b>EXPENDITURES</b>			
Current			
Instruction	1,124,730	(52,406)	1,072,324
Support services	735,169	71,115	806,284
Community services	25,602	80,315	105,917
Debt service	5,337	(491)	4,846
Facilities acquisition and construction	102,942	11,769	114,711
Total expenditures	1,993,780	110,302	2,104,082
Excess (deficiency) of revenues over (under) expenditures	76,217	14,436	90,653
Fund balance - beginning	-	265,184	265,184
Fund balance - ending	\$ 76,217	\$ 279,620	\$ 355,837

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



**Accuity, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**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, 2018, and have issued our report thereon dated December 30, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether 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.

**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 30, 2018.

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.

  
Accuity, LLC

December 30, 2018



**Accuity, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

December 30, 2018

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, 2018, 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 consider the following deficiencies in the School's internal control to be significant deficiencies:



### ***Lack of Adequate Documentation for Credit Card Charges***

During the audit process, it was noted that receipts and/or other supporting documentation for credit card charges were not consistently attached to the payment vouchers of credit card statements. This practice could result in the payment of unsupported credit card charges and thereby unauthorized expenses. The instances of inadequate documentation noted appeared to occur prior to the issuance of the internal control letter for the year ended June 30, 2018. Subsequently, it appears that management has modified internal controls to help prevent reoccurrences.

We recommend that management continue to monitor credit card charges to ensure supporting documentation for all charges is obtained prior to payment.

### ***Review of Vendor Invoices***

During our audit, it was noted that documentation regarding the review and approval of vendor invoices was missing for numerous disbursements. This exposes the School to a risk of loss from a variety of vendor/disbursement errors and increases the likelihood of financial misstatements. The instances of inadequate documentation of vendor invoice review noted appeared to occur prior to the issuance of the internal control letter for the year ended June 30, 2018. Subsequently, it appears that management has modified internal controls to help prevent reoccurrences.

We recommend that management continue to monitor the review and approval of invoices to ensure evidence that expenses and disbursements are properly approved by the appropriate person.

### ***Supporting Documentation for Disbursements***

During the audit process it was noted that appropriate supporting documentation was not obtained for all disbursements and that e-mails were being used as such. To strengthen internal controls over disbursements, it is recommended that appropriate support be provided and maintained for all disbursements.

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:

#### ***Credit Card Late Payment Fees***

During the audit it was noted that the School incurred late payment fees due to the lack of timely payment on its credit card account. We suggest that management develop procedures to ensure timely credit card payments to avoid future late fees.

#### ***Mathematical Accuracy of Disbursements***

During the audit we noted an instance where the cash disbursement amount and vendor invoice amount did not agree. While the difference was immaterial, we recommend that



**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, 2018. 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 August 30, 2018. 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. Three new accounting pronouncements were adopted during the year ended June 30, 2018 – GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, No. 85, *Omnibus 2017*, and No. 86, *Certain Debt Extinguishment Issues*. 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 30, 2018.

### ***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.

  
Accuity, LLC

December 30, 2018

**Kings Valley Charter School**  
**Summary of Proposed Audit Adjustments**  
**June 30, 2018**

<b>Description</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Equity</b>
To record donated painting services	\$ -	\$ -	\$ (2,450)	\$ 2,450	\$ -

**Kings Valley Charter School**  
**Summary of Unadjusted Differences**  
**June 30, 2018**

<b>Description</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Equity</b>
To adjust payroll taxes to actual	\$ -	\$ (2,011)	\$ -	\$ 2,011	\$ -
To reclass prior year bonus not accrued and paid in current year	\$ -	\$ -	\$ -	\$ (9,402)	\$ 9,402

management implement procedures to ensure the mathematical accuracy of all vendor invoices and related disbursements.

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

## **1.5. Appendix C: New or Updated Policies**

## Title: Student Development Based Placement Policy

### Control Information

Control Item	Details
Owner/Curator	Mark Hazelton
Policy #	KVP 9002
Supersedes	Draft
File Location	www.kvschool.org
Board approval date	

### Revision History

Revision	Date	Revision Description	Originator
A	Draft	Initial Release	Mark Hazelton
B	Revision		Jamon Ellingson
C	9/17/18	Revision sec. 1.7	M Castle
D			



## **1. Student Development Based Placement Policy**

---

### **1.1. Objective:**

The objective of this document is the following

1. Define the school's goals with class placement.
2. Define placement that involves grouping to achieve appropriate challenge level for one or two subjects.
3. Define placement process that involves promotion to another grade level.
4. Define placement process that involves retention or demotion to another grade level.
5. Define special case of preschool and Kindergarten.

### **1.2. The KVCS goals for student placement:**

The KVCS works to implement the mission to provide individualized education by ensuring students receive instruction at the optimal challenge level. The KVCS believes students will learn faster and enjoy the learning process to a greater extent if they receive instruction at the appropriate challenge level. Teaching staff will work to place students at the appropriate challenge level to the extent possible without effecting the education of other students. Parent permission and teacher agreement is required for grouping outside of the student's grade level.

### **1.3. Grouping students to achieve appropriate challenge level for reading or math:**

Math and Language Arts groups in the lower grades will be formed to optimize challenge levels. Students may participate in groups outside of their grade level. Parent consent must be attained for students to participate in groups above or below the student's grade level.

In middle school the ability groupings are in mathematics. The preference will be for students to form ability groups within the classroom. Middle school students behind in reading ability may participate in groups at lower grades. Parent consent must be attained for students to participate in groups above or below the student's grade level.

High school students will not be grouped for reading or math. Students may take lower level or remediation courses.

### **1.4. Promotion to a higher grade level:**

Students can be promoted to a higher grade level with the following conditions:

1. When the student is academically ready and instruction at the appropriate level is difficult to provide in the current grade level.
2. When the student is the highest achieving student in the class.
3. When other students of similar ability are not available in the current grade assignment.
4. Teachers and parents are both in agreement.

## **1.5. Demotion of a grade level:**

Students can be demoted a grade level with the following conditions:

1. Teachers and parents are both in agreement.

## **1.6. Retention in a grade level:**

Students can be retained or demoted in a grade level with the following conditions:

1. Teachers and parents are both in agreement.

## **1.7. Entering Kindergarten – Early Entrance:**

Students turning age 5 on or before Sept. 1 can enter Kindergarten. Students with birth dates turning 5 on or before September 30<sup>th</sup> can be promoted from Preschool into Kindergarten if the following criteria are met:

1. Teachers and parents must be in agreement.
2. The student will meet criteria for both social and academic readiness. These criteria will be determined by the administrator, kindergarten teacher and preschool teacher.
3. Approval of early entry is determined by the administrator and teacher
4. There must be space in the kindergarten.
5. It is preferable that students will be well known by the teachers such as a year in the preschool at KVCS.

# Appendix D: Proof of Insurance



## CERTIFICATE OF LIABILITY INSURANCE

COVERAGES

CERTIFICATE NUMBER: 00000000-0

REVISION NUMBER: 21

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	SUBR	INSR	WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	X	COMMERCIAL GENERAL LIABILITY					32P60168-1020	07/01/2017	07/01/2018	EACH OCCURRENCE \$ 10,000,000
		CLAIMS-MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/>								DAMAGE TO RENTED PREMISES (Ea occurrence) \$
		GEN'L AGGREGATE LIMIT APPLIES PER:								MED EXP (Any one person) \$
	X	POLICY PROJECT LOC								PERSONAL & ADV INJURY \$
										GENERAL AGGREGATE \$ 20,000,000
										PRODUCTS - COMP/OP AGG \$
A		OTHER: AUTOMOBILE LIABILITY					32P60168-1020	07/01/2017	07/01/2018	COMBINED SINGLE LIMIT (Ea accident) \$
	X	ANY AUTO OWNED AUTOS ONLY HIRED								BODILY INJURY (Per person) \$
		SCHEDULED AUTOS NON-OWNED								BODILY INJURY (Per accident) \$
		AUTOS ONLY								PROPERTY DAMAGE \$
		UMBRELLA LIAB								(Per accident) \$
		EXCESS LIAB								EACH OCCURRENCE \$
										AGGREGATE \$
B		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY					956899	09/01/2017	09/01/2018	PER STATUTE OTH-ER \$ 500,000
		DED RETENTION \$								
		ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)					N/A			E.L. EACH ACCIDENT \$
		If yes, describe under DESCRIPTION OF OPERATIONS below								E.L. DISEASE - EA EMPLOYEE \$
										E.L. DISEASE - POLICY LIMIT \$

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

CERTIFICATE HOLDER

CANCELLATION

<p><b>Kings Valley Charter School</b>                  38840 Kings Valley Highway                  Philomath, OR 97370</p>	<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><i>R. Foster</i> (RMF)</p>