

**COMMUNITY ED, INC.**  
**(Formerly Crater Lake Charter Academy)**  
Eagle Point, Oregon

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2017**

**WITH**

**INDEPENDENT AUDITOR'S REPORTS**



**COMMUNITY ED, INC.**  
**Eagle Point, Oregon**  
**Fiscal Year Ended June 30, 2017**

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**COMMUNITY ED, INC.  
Eagle Point, Oregon  
June 30, 2017**

**BOARD OF DIRECTORS AS OF JUNE 30, 2017**

James Mannenbach	Chairperson
Kirk Roberts	Vice Chairperson
Robert Miller	Treasurer
Jeremy Durst	Member
Sara Espinoza	Member

**ADDRESS OF COMMUNITY ED, INC.  
140 East Main Street  
Mailing: PO Box 947  
Eagle Point, Oregon 97524**

Bryan Wood	Executive Director
Jonathan Bilden	Business Manager



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Community Ed, Inc.  
Eagle Point, Oregon

We have audited the accompanying financial statements of the governmental activities and the major fund of Community Ed, Inc. (the Academy), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Academy as of June 30, 2017, and the respective changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the Academy's Proportionate Share of the Net Pension Asset/(Liability), and the Schedule of the Academy's Pension Contribution be presented to supplement the basic financial statements. Management has omitted the Management's Discussion and Analysis. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information. We applied certain limited procedures to the Schedule of the Academy's Proportionate Share of the Net Pension Asset/(Liability), and the Schedule of the Academy's Pension Contribution in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management and the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 assurance.

### **Other Reporting Required by State Regulations**

In accordance with Oregon State Regulation, we have also issued our report dated December 26, 2017 on our consideration of the Academy's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Stewart C. Parmele CPA, Partner  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
December 26, 2017

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**COMMUNITY ED, INC.  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<u>Governmental Activities</u>
<b>ASSETS AND DEFERRED OUTFLOWS:</b>	
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 474,603
Prepaid expenses and deposits	61,100
Capital assets, net	
Buildings and improvements	<u>44,477</u>
<b>TOTAL ASSETS</b>	<u>580,180</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred outflows related to pension	<u>754,400</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,334,580</u>
<b>LIABILITIES:</b>	
Accounts payable	19,902
Accrued salaries and taxes	14,760
Net pension liability	<u>689,484</u>
<b>TOTAL LIABILITIES</b>	<u>724,146</u>
<b>NET POSITION:</b>	
Net investment in capital assets	44,477
Unrestricted	<u>565,957</u>
<b>TOTAL NET POSITION</b>	<u>\$ 610,434</u>



**COMMUNITY ED, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

<b>Functions/Programs:</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Change In Net Position</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	
Governmental activities:				
Instruction	\$ 882,989	-	-	\$ (882,989)
Support services	676,688	-	-	(676,688)
Community services	548	-	-	(548)
 Total government activities	 \$ 1,560,225	 \$ -	 \$ -	 (1,560,225)
General revenues:				
State school fund - general support				1,657,400
Donations				600
Interest on investments				376
Miscellaneous				4,690
 Total general revenues				 1,663,066
 <b>CHANGE IN NET POSITION</b>				 102,841
 Net Position - July 1, 2016				 507,593
 Net Position - June 30, 2017				 \$ 610,434

**FUND FINANCIAL STATEMENTS**

**COMMUNITY ED, INC.  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2017**

	<b>General Fund</b>
<b>ASSETS:</b>	
Cash	\$ 474,603
Prepaid expenses and deposits	61,100
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 535,703</b>
	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCE:</b>	
Liabilities:	
Accounts payable	\$ 19,902
Accrued salaries and taxes	14,760
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>34,662</b>
	<hr/>
Fund Balance:	
Nonspendable	61,100
Unassigned	439,941
	<hr/>
<b>TOTAL FUND BALANCE</b>	<b>501,041</b>
	<hr/>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 535,703</b>
	<hr/> <hr/>

**COMMUNITY ED, INC.  
RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2017**

<b>TOTAL FUND BALANCE</b>		\$	501,041
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost	\$	44,926	
Accumulated depreciation		<u>(449)</u>	44,477
The deferred outflow associated with the Academy's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.			
			754,400
The asset (liability) associated with the Academy's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.			
			(689,484)
<b>TOTAL NET POSITION</b>		\$	<u>610,434</u>

**COMMUNITY ED, INC.  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>
<b>REVENUES:</b>	
Local revenue:	
Donations	\$        600
Interest on investments	376
Miscellaneous	4,690
State revenue:	
State school fund - general support	<u>1,657,400</u>
<b>TOTAL REVENUES</b>	<u>1,663,066</u>
<b>EXPENDITURES:</b>	
Current:	
Instruction	881,367
Support services	667,931
Community services	548
Enterprise services	<u>44,926</u>
<b>TOTAL EXPENDITURES</b>	<u>1,594,772</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>68,294</u>
<b>NET CHANGE IN FUND BALANCE</b>	68,294
<b>FUND BALANCE, July 1, 2016</b>	<u>432,747</u>
<b>FUND BALANCE, June 30, 2017</b>	<u><u>\$        501,041</u></u>

**COMMUNITY ED, INC.  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 68,294</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Expenditures for capital assets	\$ 44,926
Less current year depreciation	<u>(449)</u>
	44,477
Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expenditure when earned.	
	10,386
Government funds report pension contributions as expenditures. However, in the Statement of Activities, pension expense and changes in deferred inflows and outflows related to the net pension asset/(liability) are recorded based upon an actuarial valuation of such activity. The result is recorded as net pension income/(expense) in the Statement of Activities.	
	<u>(20,316)</u>
<b>CHANGE IN NET POSITION</b>	<b><u>\$ 102,841</u></b>

**NOTES TO BASIC FINANCIAL STATEMENTS**

**COMMUNITY ED, INC.**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**Note 1 – Summary of Significant Accounting Policies**

**The Reporting Entity**

Community Ed, Inc. (the Academy) Academy was initially founded as the Crater Lake Charter on May 15, 2014 in Eagle Point, Oregon. On February 17, 2017 Crater Lake Charter Academy officially changed their name to Community Ed, Inc., however they still continue to do business as the Crater Lake Charter Academy. The Academy was organized under provisions of Oregon Statutes pursuant to ORS Chapter 338 to operate within the Eagle Point School District for the purpose of operating a single public charter school. The Academy is governed by a Board, who approves the activities of the Academy. All activities of the Academy have been included in the basic financial statements.

The Academy provides an educational program for all students from kindergarten through grade twelve. The Academy is sponsored by the Eagle Point School District. The Academy has a separate governing body, is a legally separate entity, and is considered to be fiscally independent. The Academy has contracted services with the Eagle Point School District for facilities, equipment rental, and related supporting costs.

The financial statements of the Community Ed, Inc. have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. In evaluating how to define the Academy for financial reporting purposes, management has considered all potential component units. Based on the application of the criteria established by the Governmental Accounting Standards Board (GASB), there are no potential component units of the Academy.

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

**Basis of Presentation**

**Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Academy. These statements include the governmental financial activities of the Academy. Governmental activities are financed primarily through payments of state school support passed through Jackson County School District No. 9.

The Statement of Activities presents a comparison between direct expense and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function; therefore, are clearly identifiable to that function. Indirect expenses are those of the general government related to administration and support of the Academy's programs, such as personnel and accounting are allocated to programs based on their percentage of total government expenses. Program revenues may include: (1) charges to students or others fees, rentals, materials, supplies, and services provided, (2) operation grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including state support, are presented as general revenues.



**COMMUNITY ED, INC.**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Basis of Presentation (continued)**

**Fund Financial Statements**

The fund financial statements provide information about the Academy's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Academy has only one fund, and that fund is a governmental fund which is reported as a major fund:

*General Fund* – This fund currently accounts for all financial resources and expenditures of the Academy. The principal revenue sources are payments of state school support passed through Jackson County School District No. 9.

**Measurement Focus and Basis of Accounting**

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Academy receives value without giving equal value in exchange, include grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the Academy funds certain programs with general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e. when they become measurable and available) and expenditures are recorded at the time the related fund liabilities are incurred. Capital asset acquisitions are reported as expenditures in the governmental funds.

**Cash, Cash Equivalents and Investments**

The Academy's cash and cash equivalents consist of demand deposits.

**Capital Assets**

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

Buildings and Improvements	10 to 50 years
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**Net Position/Fund Balance**

In the government-wide financial statements, equity is classified as net position and displayed in three components:

*Net investment in capital assets* – Consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.

**COMMUNITY ED, INC.**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Net Position/Fund Balance (continued)**

*Restricted net position* – Consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.

*Unrestricted net position* – Consists of all other net position that does not meet the definition of the above two components and is available for general use by the Academy.

In the fund financial statements, governmental fund equity is classified in the following categories:

*Non-Spendable* - Includes items not immediately converted to cash, such as prepaid items and inventory.

*Restricted* - Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

*Committed* - Includes items committed by the Academy's Board of Directors, by formal board action.

*Assigned* - Includes items assigned for specific uses, authorized by the Academy's management.

*Unassigned* - This is the residual classification used for those balances not assigned to another category.

**Pension Plan**

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's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy has only one type of deferred outflow, which arises only under the full accrual basis of accounting that qualifies for reporting in this category.

The governmental funds report expense related to pension contributions. These amounts are deferred and recognized as an outflow of resources in the period that is actuarially determined.

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 on net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**Grants and Other Operating Revenues**

Under the modified accrual basis of accounting, the Academy receives funding from the Eagle Point School District through the State of Oregon based on the number of enrolled students.

**COMMUNITY ED, INC.**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Budget**

The Academy is a Charter School within the Eagle Point School District. The Oregon Department of Education does not require the Academy to adopt a separate budget in accordance with Local Budget Law.

**Use of Estimates**

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

**Income Tax Status**

The Academy qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Academy 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 Academy has adopted the income standard related to the recognition and measurement of uncertain tax positions. The adoption of this standard had no financial effect for the Academy.

**Note 2 – Cash and Investments**

Cash and investments are comprised of the following as of June 30, 2017:

Deposits with financial institutions	<u>\$ 474,603</u>
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Cash and investments are shown on the basic financial statements as:

Statement of Net Position	
Cash and cash equivalents	<u>\$ 474,603</u>

**Deposits.** The Governmental Accounting Standards Boards has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the Academy at June 30, 2017. If bank deposits at year end are not entirely insured or collateralized with securities held by the Academy or by its agent in the Academy's name, the Academy must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For the fiscal year ended June 30, 2017, the carrying amounts of the Academy deposits in a qualifying financial institution were \$474,603 and the bank balances were \$690,127. All deposits are held in the name of the Academy. Of the bank balance, \$250,000 is considered to be covered by federal depository insurance. The balance of \$440,127 is not covered by FDIC insurance but is collateralized by the State of Oregon shared liability structure for participating bank depositories in Oregon.

**Custodial Credit Risk.** Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Academy does not have a formal deposit policy for custodial credit risk.

**COMMUNITY ED, INC.**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**Note 2 – Cash and Investments (continued)**

**Concentration of Credit Risk.** The Academy is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The Academy has no such investments.

**Interest Rate Risk.** The Academy has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

**Note 3 – Prepaid and Other Current Assets**

Prepaid and other current assets were comprised of the following amounts at June 30, 2017:

Prepaid lease and insurance	\$ 44,767
Security deposits	<u>16,333</u>
	<u>\$ 61,100</u>

**Note 4 – Capital Assets**

Property and equipment at June 30, 2017 consisted of the following:

Buildings and Improvements	<u>\$ 44,926</u>
Less accumulated depreciation	<u>(449)</u>
Net book value	<u>\$ 44,477</u>

Depreciation expense for the year ended June 30, 2017 was \$449.

**Note 5 – Operating Leases**

The Academy has entered into one non-cancellable operating lease for copiers and leases a facility to conduct classes. Total costs for such leases were \$6,023 for the fiscal year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

Fiscal Year ending June 30,	Amount
2018	\$ 42,928
2019	43,697
2020	41,088
2021	4,500
2022	<u>3,750</u>
	<u>\$ 135,963</u>

**COMMUNITY ED, INC.**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**Note 6 – Postemployment Benefits Other Than Pensions (OPEB)**

***Retirement Health Insurance Account***

***Plan Description-*** As a member of Oregon Public Employees Retirement System (OPERS), the Academy contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004.

OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO box 23700, Tigard, OR 97281-3700.

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

Participating school districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the Academy currently contributes 0.49% of annual covered OPERF payroll and 0.10% of OPSRP payroll. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Academy's contributions to RHIA for the year ended June 30, 2017 was \$4,378, which equaled the required contributions for the year.

**Note 7 – Pension Plan**

**Oregon Public Employees Retirement Plan –**

***Plan Description*** - Employees are provided pensions as participants under one or more plans currently available through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan in accordance with Oregon Revised Statutes Chapter 238, Chapter 23A, and Internal Revenue Service Code Section 401(a).

**COMMUNITY ED, INC.**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**Note 7 - Pension Plan (continued)**

**Oregon Public Employees Retirement Plan (continued) –**

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

The ORS Chapter 238 Defined Benefit Plan was closed to new members hired on or after August 29, 2003. In 1995, the Oregon Legislature created a second tier of benefits for those who became OPERS Program members after 1995 but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

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

**Plan Benefits** - All benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapter 238 and 238A.

***Tier One/Tier Two Retirement Benefit (Chapter 238) -***

**Pension Benefits** - The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 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 a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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

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

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

**COMMUNITY ED, INC.**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**Note 7 - Pension Plan (continued)**

**Oregon Public Employees Retirement Plan (continued) –**

**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% of the member's salary determined as of the last full month of employment before the disability occurred.

**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 (COLA). The COLA is capped at 2.0%.

**OPSRP Pension Program (Chapter 238A) -**

**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:

**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 termination becomes effective.

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

**Disability Benefits** - A member who has accrued 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 adjustment (COLA). The COLA is capped at 2.0%.

**Contributions –**

PERS' funding policy provides for periodic member and employer contributions at rates established by the Public Employees Retirement Board, subject to limits set in statute. The rates established for member and employer contributions were approved based on the recommendations of the System's third-party actuary.

The Academy's employer contributions for the year ended June 30, 2017 were \$169,332, excluding amounts to fund employer specific liabilities. The contribution rates in effect for the fiscal year ended June 30, 2017 for each pension program were: Tier1/Tier 2 – 22.33%, and OPSRP general service – 17.64%.

**COMMUNITY ED, INC.**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**Note 7 - Pension Plan (continued)**

**Pension Plan Comprehensive Annual Financial Report (CAFR) –**

Oregon PERS produces an independently audited CAFR which can be found at:

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

**Actuarial Valuation -**

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from their date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

**Actuarial Methods and Assumptions Used in Developing Total Pension Liability –**

Valuation date	December 31, 2014
Measurement date	June 30, 2016
Experience study	2014, published September 2015
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	2.50 percent (reduced from 2.75%)
Long-term expected rate of return	7.50 percent (reduced from 7.75%)
Discount rate	7.50 percent (reduced from 7.75%)
Projected salary increases	3.50 percent (reduced from 3.75%)
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><b><i>Healthy retirees and beneficiaries:</i></b>  RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><b><i>Active members:</i></b>  Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><b><i>Disabled retirees:</i></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>

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 based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.



**COMMUNITY ED, INC.**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**Note 7 - Pension Plan (continued)**

**Discount Rate –**

The discount rate used to measure the total pension liability was 7.5 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Investment Rate of Return –**

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

[http://www.oregon.gov/pers/docs/financial\\_reports/2016\\_cafr.pdf](http://www.oregon.gov/pers/docs/financial_reports/2016_cafr.pdf).

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

At June 30, 2017, the Academy reported \$689,484 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The Academy's proportion of the net pension liability was based on a projection of the Academy's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Academy's proportion was approximately 0.00459 percent.

For the year ended June 30, 2017, the Academy recognized pension expense of \$20,316. Pension expense was generated during the measurement period primarily as a result of less than anticipated investment returns at the OPERS level. The \$20,316 was treated as an increase of payroll related expense in the Statement of Activities and allocated to Instruction and Supporting Services using allocation percentages of 32% and 68% respectively.

**COMMUNITY ED, INC.**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**Note 7 - Pension Plan (continued)**

**Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued) –**

At June 30, 2017, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,811	\$ -
Changes of assumptions	147,050	-
Net difference between projected and actual earnings investments	136,213	-
Changes in proportionate share	247,249	-
Differences between employer contributions and employer's proportionate share of system contributions	31,745	-
Contributions subsequent to measurement date	<u>169,332</u>	<u>-</u>
Total	<u>\$ 754,400</u>	<u>\$ -</u>

The \$169,332 reported as deferred outflows of resources related to pensions resulting from Academy's contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)</u>
2018	\$ 121,814
2019	121,814
2020	172,034
2021	140,952
2022	28,454
Thereafter	<u>-</u>
Total	<u>\$ 585,068</u>

**COMMUNITY ED, INC.**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**Note 7 - Pension Plan (continued)**

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

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

District's Net Pension Asset/(Liability)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% increase (8.50%)
Defined Benefit Pension Plan	\$ (1,113,287)	\$ (689,484)	\$ (335,259)

**Changes in Assumptions –**

A summary of key changes implemented since the December 31, 2013 valuation can be found in the 2014 Experience Study for the System, which can be found at:

<http://www.oregon.gov/PERS/Documents/Financials/Actuarial/2015/Experience-Study.pdf>

**Defined Contribution Plan – Individual Account Program (IAP)**

**Pension Benefits** - Participants in OPERS defined contribution pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. All covered employees are required by State statute to contribute 6% of their salary to the plan. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

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

**Contributions** - During 2017, the Academy, as an employee benefit, paid the employees portion of the contribution. For 2017, the Academy paid \$56,945 for this contribution.

**COMMUNITY ED, INC.**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**Note 8 – Current Vulnerability Due to Certain Concentrations**

The Academy's operations are concentrated within Eagle Point School District boundaries. In addition, substantially all the Academy's revenues for continuing operations are from pass-through dollars from Eagle Point School District in the form of ADMw. The Academy may also receive various grants from the State of Oregon, but did not receive any in the current year. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with the conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The Academy had contracted services with Eagle Point School District to provide facilities, equipment rental, and related supporting services. The total amount paid to Eagle Point School District for the fiscal year ending June 30, 2017 was \$226,522.

**Note 9 – Risk Management**

The Academy is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Academy purchases commercial insurance to minimize its exposure to these risks. Settled claims, if any, have not exceeded this commercial coverage in the past year.

**Note 10 – Subsequent Events**

Management of the Academy has evaluated events and transactions occurring after June 30, 2017 through the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. Based on management's knowledge there were no additional events and/or transactions that required recognition and disclosure in the financial statements except as follows:

**Changes in OPERS Pension Plan Provisions Subsequent to Measurement Date –**

At its July 28, 2017 meeting, the PERS Board lowered its effective "assumed rate" from 7.5% to 7.2% effective, January 1, 2018. The assumed rate is the rate of investment return (including inflation) that the PERS Fund's regular account is expected to earn over the long term. Oregon Administrative Rule 459-007-0001(2) states that the assumed rate "means the actuarial assumed rate of return on investments as adopted by the Board for the most recent actuarial valuation."

The lowered rate is expected to increase the PERS net pension liability by an estimated \$2.0 to \$2.4 billion. Of this increase, the Academy's portion is estimated at \$91 to \$110 thousand.

The Academy closed on the real property at 585 Nick Young Road on August 21, 2017 and moved grades 1 through 9 there shortly thereafter. Additionally, the Academy moved grades 9-12 from the 10 Shasta Way location on November 27, 2017 so that grades K-12 are all now located at the Nick Young property.

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMMUNITY ED, INC.**  
**SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION**  
**LIABILITY/(ASSET) AND SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**  
**LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)**

**Community Ed, Inc. Proportionate Share of Net Pension Asset/ (Liability)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Academy's proportion of the net pension asset/(liability)	0.0045928%	0.0000000%	0.0000000%
Academy's proportion of the net pension asset/(liability)	\$ (689,484)	\$ -	\$ -
Academy's covered-employee payroll	\$ 738,853	\$ 557,843	\$ 289,297
Academy's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-93.32%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	80.52%	91.88%	103.59%

**Community Ed, Inc. Contributions**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	169,332	\$ 46,369	\$ 47,695
Contribution in relation to the contractually required	(169,332)	\$ (46,369)	\$ (47,695)
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered - employee payroll	\$ 738,853	\$ 557,843	\$ 289,297
Contributions as a percentage of covered-employee payroll	22.92%	8.31%	16.49%

**Note 1 - Changes of Benefit Terms and Assumptions**

A summary of assumption changes implemented since the December 31, 2014 valuation are outlined briefly below. A comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the system, which was published on September 23, 2015, and can be found at:

<http://www.oregon.gov/PERS/Documents/Financials/Actuarial/2015/Experience-Study.pdf>

**Changes in Actuarial Method and Allocation Procedures:**

General Service member weighting changed from 30% to 25% of proportional liability.

**Changes in Economic Assumptions:**

Inflation was lowered to 2.5%, and payroll growth was reduced from 3.75% to 3.5%. Investment return and interest crediting was reduced from 7.75% to 7.5%. With the implementation of GASB No. 67 and 68 this necessitated an explicit Tier 1/Tier 2 administrative expense assumption of \$33 million per year for December 31, 2014 and December 31, 2015. Health care cost inflation and implementation of the excise tax in 2018 was considered. Disability mortality tables were updated using the RP2000 generational tables, whereas RP2000 static tables were previously used. Rates for disability, retirement from active status, and termination were adjusted.

**Changes in Salary Increase Assumptions:**

Unused sick leave and vacation pay rates were adjusted. Retirement Health Insurance Account (RHIA) participation rate for healthy retirees was reduced from 45% to 38%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates.

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

Board of Directors  
Community Ed, Inc.  
Eagle Point, Oregon

We have audited the basic financial statements of the Community Ed, Inc. (the Academy) as of and for the year ended June 30, 2017, and have issued our report thereon dated December 26, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Compliance

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-0000 through 162-10-3200 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 the 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 but were not limited to the following:

- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.

In connection with our audit, nothing came to our attention that caused us to believe the Academy was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-10-0000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

### OAR 162-10-0230 Internal Control

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

This report is intended solely for the information and use of the audit committee, management, Board of Directors of the Academy, the State of Oregon, Secretary of State, Division of Audits and is not intended to be and should not be used by anyone other than these parties.



Stewart C. Parmele CPA, Partner  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
December 26, 2017