

SHERIDAN ALLPREP

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SHERIDAN ALLPREP ACADEMY
(A Component Unit of Sheridan School District No. 48J)
Sheridan, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2016



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

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

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June 30, 2016

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SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

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FINANCIAL SECTION



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sheridan AllPrep Academy
Sheridan, Oregon 97378

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Sheridan AllPrep Academy, Sheridan, Oregon, a component unit of Sheridan School District No. 48J as of and for the year ended June 30, 2016, 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 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 Sheridan AllPrep Academy, Sheridan, Oregon as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity 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, schedules of the Academy's proportionate share of the net pension asset, and schedule of Academy contributions on pages 4 through 8, and 28 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 Sheridan AllPrep Academy'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 combining and individual nonmajor fund financial statements are 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 November 1, 2016, 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
November 1, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of Sheridan AllPrep Academy, Sheridan, Oregon, we offer readers this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2016. It should be read in conjunction with the Academy's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, total net position of Sheridan AllPrep Academy amounted to \$877,251.
- The Academy's total net position increased by \$150,195 for the year ended June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Sheridan AllPrep Academy'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 Academy's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the Academy'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.

The government-wide financial statements can be found on pages 9 through 10 of this report.

Fund Financial Statements

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

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the Academy'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 Academy's near-term financing decisions.

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

Sheridan AllPrep Academy adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11 through 14 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 15 through 27 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the Schedules of the Academy's Proportionate Share of the Net Pension Liability and Academy Contributions. This required supplementary information can be found on page 28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Academy's financial position. At June 30, 2016, the Academy's assets exceeded its liabilities by \$877,251.

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Academy's Net Position

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Assets		
Current and other assets	\$ 1,099,860	\$ 752,935
Pension asset	<u> -</u>	<u> 66,070</u>
Total assets	<u> 1,099,860</u>	<u> 819,005</u>
Deferred outflows of resources	<u> 113,459</u>	<u> 58,212</u>
Liabilities		
Current liabilities	\$ 41,469	\$ 22,673
Noncurrent liabilities		
Pension liability	<u> 240,834</u>	<u> -</u>
Total liabilities	<u> 282,303</u>	<u> 22,673</u>
Deferred inflows of resources	<u> 53,765</u>	<u> 127,488</u>
Net position		
Unrestricted	<u> \$ 877,251</u>	<u> \$ 727,056</u>

Academy's Changes in Net Position

The Academy's net position increased by \$150,195 during the current fiscal year. The key elements of the change in the Academy's net position for the year ended June 30, 2016 are as follows:

- State school fund revenue increased by \$222,582.
- Expenses increased by \$406,663.

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

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

	Governmental Activities	
	2016	2015
Program revenues		
Regular programs	\$ 2,197	\$ 4,215
General revenues		
State school fund – general support	975,049	752,467
Miscellaneous	3,438	1,154
Pension credit	-	57,202
Total general revenues	978,487	810,823
Total revenues	980,684	815,038
Program expenses		
Regular programs	621,174	232,492
Special programs	3,350	426
Student support services	14,016	10,332
Instructional staff support	1,928	425
General administrative support	21,845	9,344
School administrative support	82,521	95,070
Business support services	82,756	73,764
Central activities support	2,899	1,973
Total program expenses	830,489	423,826
Change in net position	150,195	391,212
Net position - beginning of year	727,056	335,844
Net position - end of year	\$ 877,251	\$ 727,056

FINANCIAL ANALYSIS OF THE ACADEMY'S FUND

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

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Fund

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

At the end of the current fiscal year, the Academy's governmental fund had a fund balance of \$1,058,391. This total amount constitutes unassigned fund balance, which is available for spending at the Academy's discretion.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

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

- Health insurance is set for the next three years at the composite rate with OEBB. There will most likely be a minimal increase but the only other factor affecting health insurance expense will be the addition of additional insurance benefits or employees.
- Employer contribution rates for the Oregon Public Employees Retirement System are expected to decrease approximately 2.61% during the 2015-2017 biennium.

All of these factors were considered in preparing the Academy's budget for fiscal year 2016-2017.

The unassigned ending General Fund balance of \$1,058,391 will be available for program resources in fiscal year 2016-2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Sheridan AllPrep Academy's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the Business Manager, Christine Caponi, Sheridan AllPrep Academy, P.O. Box 583, Sheridan, Oregon 97378.

BASIC FINANCIAL STATEMENTS

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,012,281
Accounts receivable	87,167
Prepaid expenses	<u>412</u>
Total current assets	<u>1,099,860</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>113,459</u>
LIABILITIES	
Current liabilities	
Accrued payroll liabilities	\$ 36,694
Accounts payable	<u>4,775</u>
Total current liabilities	<u>41,469</u>
Noncurrent liabilities	
Pension asset	<u>240,834</u>
Total liabilities	<u>282,303</u>
DEFERRED INFLOWS OF RESOURCES	<u>53,765</u>
NET POSITION	
Unrestricted	<u><u>\$ 877,251</u></u>

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

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities					
Regular programs	\$ 621,174	\$ -	\$ 2,197	\$ -	\$ (618,977)
Special programs	3,350	-	-	-	(3,350)
Student support services	14,016	-	-	-	(14,016)
Instructional support services	1,928	-	-	-	(1,928)
General administrative support	21,845	-	-	-	(21,845)
School administrative services	82,521	-	-	-	(82,521)
Business support services	82,756	-	-	-	(82,756)
Central activities support	<u>2,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,899)</u>
Total governmental activities	<u>\$ 830,489</u>	<u>\$ -</u>	<u>\$ 2,197</u>	<u>\$ -</u>	<u>(828,292)</u>
General revenues					
State school fund - general support					975,049
Miscellaneous					<u>3,438</u>
Total general revenues					<u>978,487</u>
Change in net position					150,195
Net position - beginning					<u>727,056</u>
Net position - ending					<u>\$ 877,251</u>

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

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

BALANCE SHEET

GOVERNMENTAL FUND

June 30, 2016

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,012,281
Accounts receivable	87,167
Prepaid expenses	<u>412</u>
 Total assets	 <u>\$ 1,099,860</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 4,775
Accrued payroll liabilities	<u>36,694</u>
 Total liabilities	 <u>41,469</u>
 Fund balance	
Unassigned	<u>1,058,391</u>
 Total liabilities and fund balance	 <u>\$ 1,099,860</u>

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

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2016

Total fund balance		\$ 1,058,391
 Amounts relating to the Academy's proportionate share of net pension liability or assets for the Oregon Public Employees Retirement System (PERS) are not reported in the governmental fund statements. In the governmental fund statements, pension expense is recognized when due. The amounts consist of:		
Deferred outflows of resources relating to pension expense	113,459	
Deferred inflows of resources relating to return on pension assets	(53,765)	
Net pension asset (liability)	<u>(240,834)</u>	<u>(181,140)</u>
Net position of governmental activities		\$ <u>877,251</u>

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

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

For the Year Ended June 30, 2016

	General Fund
REVENUES	
Local revenue	\$ 5,635
State revenue	975,049
Total revenues	980,684
EXPENDITURES	
Current	
Instruction	446,590
Support services	205,965
Total expenditures	652,555
Excess (deficiency) of revenues over (under) expenditures	328,129
Fund balance - beginning	730,262
Fund balance - ending	\$ 1,058,391

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

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

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

June 30, 2016

Net change in fund balance	\$	328,129
 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 the governmental funds. In the statement of activities, pension expense or credit is recognized when determined to have been accrued.		
Pension expense		<u>(177,934)</u>
Net position of governmental activities	\$	<u>150,195</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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 Academy.

B. Reporting Entity

Sheridan AllPrep Academy operates under the authority of Sheridan School District No. 48J who grants a charter to the Academy and exercises oversight, as required by Oregon law. The Academy began operations in 2009, serving greater Oregon. The Academy is subject to ORS 338 in connection with the operation of public charter schools. In accordance with ORS 338, the Academy is organized as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category - governmental, and proprietary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

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

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

1. Cash and Cash Equivalents

The Academy'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. Deferred Outflows/Inflows of Resources (Non-Pension Related)

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

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial 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 will therefore not be recognized as an inflow of resources (revenue) until that time. The Academy has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

3. 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.

4. 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.

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

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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 school board 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 Academy 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 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 Academy 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 Academy takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts that Academy intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits

The Academy holds interest-bearing accounts at U.S. Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2016, the Academy had deposits of \$250,000 insured by the FDIC and \$761,840 collateralized under the PFCP.

The Academy's deposits and investments at June 30, 2016 are as follows:

Petty cash	\$ 100
Checking accounts	<u>1,012,181</u>
Total deposits	<u>\$ 1,012,281</u>

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. All Academy deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

B. Receivables

Receivables as of June 30, 2016 are as follows:

Miscellaneous receivables	\$ <u>87,167</u>
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Management has determined that all receivables are collectible; therefore, no allowance for uncollectible accounts has been established.

C. Leases

The Academy is committed under a noncancelable operating lease for office and school space. Future minimum operating lease commitments are as follows:

<u>Year ending June 30:</u>	
2017	\$ <u>9,120</u>

Rent expense was \$7,200 for the year ended June 30, 2016.

SHERIDAN ALLPREP ACADEMY
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. OTHER INFORMATION

A. 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; and natural disasters for which the Academy carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Retirement Plans

1. Oregon Public Employees Retirement System

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:

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for 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.

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.

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

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

Death Benefits

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

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.

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, 2013 actuarial valuation, which became effective July 1, 2015. 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, 2016 were \$59,345.

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/section/financial_reports/financials.aspx

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June 30, 2016

Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017, 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, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll: Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent
Mortality	Health retirees and beneficiaries: RP-2000 sex distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

	<p>health retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage of RP-2000 statistic combined disabled mortality distinct 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.75 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.

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

At June 30, 2016, the Academy reported a liability of \$240,834 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 December 31, 2013 the Academy's proportion was 0.00419465%.

For the year ended June 30, 2016, the Academy recognized pension expense of \$244,758. At June 30, 2016, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,987	\$ -
Net difference between projected and actual earnings on investments	-	50,484
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,974	-
Differences between employer contributions and employer's proportionate share of system contributions	12,413	3,281
Total (prior to post-MD contributions)	47,374	53,765
Contributions subsequent to the MD	66,085	-
Total	113,459	53,765

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, 2016. Other amounts reported by the District as deferred outflows of resources and deferred outflows 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)
2016	\$ (13,440)
2017	(13,440)
2018	(13,440)
2019	31,048
2020	2,882

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

The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Academy'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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
\$ 581,244	\$ 240,834	\$ (46,042)

Plan Changes Reflected

The Oregon Supreme Court decision in *Moro v. State of Oregon* (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The *Moro* decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation.

For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the System. Due to the timing of the Supreme Court decision, this means the COLA change due to *Moro* is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. The increase in the Total Pension Liability resulting from the *Moro* decision, measured as of June 30, 2015, is shown in the attached Exhibit A as the "Effect of plan changes" during the measurement period. To reflect the *Moro* decision, we estimated the blended COLA based on creditable service before and after the effective dates of the legislation. This approach is consistent with OAR 459-005-0510, adopted by the PERS Board in September 2015.

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurements Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

C. Subsequent Events

Management has evaluated subsequent events through November 1, 2016 which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

SCHEDULES OF THE ACADEMY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND ACADEMY CONTRIBUTIONS

OREGON PERS SYSTEM

Schedule of the Academy's Proportionate Share of the Net Pension Liability

	2016	2015
Academy's proportion of the net pension liability (asset)	0.00419465%	0.00291478%
Academy's proportionate share of the net pension liability (asset)	\$ 240,834	\$ (66,070)
Academy's covered-employee payroll	\$ 210,011	\$ 140,729
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	114.68%	-46.95%
Plan fiduciary net position as a percentage of the total pension liability	103.59%	103.59%

Schedule of the Academy Contributions

	2016	2015
Contractually required contribution	\$ 66,085	\$ 44,794
Contributions in relation to the contractually required contribution	66,085	44,794
Contribution deficiency (excess)	\$ -	\$ -
Academy's covered-employee payroll	361,485	241,556
Contributions as a percentage of covered-employee payroll	18.28%	18.54%

OTHER INFORMATION

SHERIDAN ALLPREP ACADEMY
Sheridan, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual
REVENUES			
Local revenue	\$ 500	\$ 5,135	\$ 5,635
State revenue	961,534	13,515	975,049
Total revenues	962,034	18,650	980,684
EXPENDITURES			
Current			
Instruction	478,546	(31,956)	446,590
Support services	247,974	(42,009)	205,965
Total expenditures	726,520	(73,965)	652,555
Excess (deficiency) of revenues over (under) expenditures	235,514	92,615	328,129
Fund balance - beginning	-	730,262	730,262
Fund balance - ending	\$ 235,514	\$ 822,877	\$ 1,058,391

**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
Sheridan AllPrep Academy
Sheridan, Oregon 97378

We have audited the financial statements of Sheridan AllPrep Academy as of and for the year ended June 30, 2016, and have issued our report thereon dated November 1, 2016. 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 Sheridan AllPrep 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 162-010-0000 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 Academy 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 Academy'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 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. However, we noted certain matters that we have reported to management of the Academy in a separate letter dated November 1, 2016.

This report is intended solely for the information and use of the board of directors and management of Sheridan AllPrep Academy, Sheridan School Academy No. 48J, and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive, flowing style.

Accuity, LLC

November 1, 2016