

**OREGON COAST TECHNOLOGY
CHARTER SCHOOL**

**A COMPONENT UNIT OF
COOS COUNTY SCHOOL DISTRICT NO. 13**

**FINANCIAL STATEMENTS
JUNE 30, 2016**

**OREGON COAST TECHNOLOGY CHARTER SCHOOL
A COMPONENT UNIT OF COOS COUNTY SCHOOL DISTRICT NO. 13**

June 30, 2016

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BOARD OF DIRECTORS

**OREGON COAST TECHNOLOGY CHARTER SCHOOL
A COMPONENT UNIT OF COOS COUNTY SCHOOL DISTRICT NO. 13**

**BOARD OF DIRECTORS
(ORCO-Tech)**

Kelly Barnett, Chair
66603 E. Bay Rd.
North Bend, OR 97459

Marci Stadiem, Lead Admin.
1909 Ash Court
North Bend, OR 97459

Kathie Laird, Secretary
2315 Clark Street
North Bend, OR 97459

Bill Yester
1014 Seagate
Coos Bay, OR 97420

Jay Noggle
1182 Commercial
Coos Bay, OR 97420

Kurt Brecheisen
756 Tower
North Bend, OR 97459

Diana Schab
2213 Pony Creek Rd
North Bend, OR 97459

**BOARD OF DIRECTORS
(Coos County School District No. 13)**

Fred Clauson Jr.
PO Box 581 / 205 Lakeland Dr
Lakeside, OR 97449

Robert Adams, Jr., Vice Chair
2455 Fir Street
North Bend, OR 97459

Deborah Reid
66704 Raven Road
North Bend, OR 97459

Kurt Brecheisen
756 Tower Street
North Bend, OR 97459

Julianna Seldon
1502 McPherson Avenue
North Bend, OR 97459

Patrick Ryan
2064 Everett Avenue
North Bend, OR 97459

Alane Jennings
93641 E. Bluebird Lane
North Bend, OR 97459

Bill Yester, Superintendent
Sherri O'Connor, Business Manager
Stebbins and Coffey:
James Coffey - Attorney

MAILING ADDRESS
Oregon Coast Technology Charter School
A Component Unit of Coos County School
District No. 13
1913 Meade Street
North Bend, OR 97459

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

December 14, 2016

Board of Directors
Oregon Coast Technology Charter School
A Component Unit of Coos County School District No. 13
1913 Meade
North Bend, OR 97459

We have audited the accompanying financial statements of the governmental activities and major fund of the Oregon Coast Technology Charter School (the School), a component unit of Coos County School District No. 13, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe 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 financial position of the governmental activities and major fund of the School, as of June 30, 2016, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

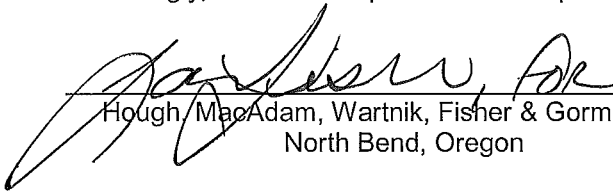
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Reporting Required by Government Auditing Standards and Oregon Revised Statutes

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 14, 2016, on our consideration of the Oregon Coast Technology Charter School's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 to 162-10-320. 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.



Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
North Bend, Oregon

**OREGON COAST TECHNOLOGY CHARTER SCHOOL
A COMPONENT UNIT OF COOS COUNTY SCHOOL DISTRICT #13
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2016**

As management of Oregon Coast Technology Charter School (the School or ORCO-Tech), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

The net position of the School was \$0 at June 30, 2016. The School had no outstanding debt at June 30, 2016. The School reported total general revenue of \$2,337,847 at June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The fund financial statements and the government-wide statements have been combined using a columnar format. There are no reconciling items.

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

The Statement of Net Position. The *statement of net position* presents information on all of the assets and liabilities of the School at year-end. Net position is what remain after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities. The *statement of activities* presents information showing how the net position of the School changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. 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.

In the government-wide financial statements, the School's activities are shown as governmental activities. All basic School functions are shown here, such as instruction and supporting services. These activities are primarily financed through Oregon's State School Fund and other intergovernmental revenues. The government-wide financial statements are found on pages 7 and 8 of this report.

Fund financial statements The *fund financial statements* provide more detailed information about the School's funds, focusing on its most significant or "major" funds – not the school as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School currently maintains one government type fund. ORCO-Tech uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds The *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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**OREGON COAST TECHNOLOGY CHARTER SCHOOL
A COMPONENT UNIT OF COOS COUNTY SCHOOL DISTRICT #13
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2016**

Notes to the financial statements The notes 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 financial statements can be found on pages 9 through 13 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$0 at June 30, 2016.

Statement of Activities During the current fiscal year, there was no increase or decrease in the School's net position. The key elements of the change in the District's net position for the year ended June 30, 2016 are as follows:

**Changes in Net Position
For the year ended June 30, 2016**

	<u>2015-16</u>	<u>2014-15</u>	<u>Variance</u>
Revenues:			
General revenues:			
Intergovernmental aid not restricted	\$ 2,337,847	\$ 2,520,882	\$ (183,035)
Expenses:			
Instruction programs	1,378,746	1,498,706	(119,960)
Supporting services	959,101	1,022,176	(63,075)
Total expenses	<u>2,337,847</u>	<u>2,520,882</u>	<u>(183,035)</u>
Increase (decrease) in net position	-	-	-
Net position - July 1	<u>-</u>	<u>-</u>	<u>-</u>
Net position - June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds. The focus of the School's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the School's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. At June 30, 2016, the District's governmental funds reported combined ending fund balances of \$0.

General Fund The General Fund is the primary operating fund of the District. As of June 30, 2016, unreserved fund balance was \$0. There was no change in fund balance during the current fiscal year.

**OREGON COAST TECHNOLOGY CHARTER SCHOOL
A COMPONENT UNIT OF COOS COUNTY SCHOOL DISTRICT #13
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2016**

CURRENT FINANCIAL ISSUES AND CONCERNS BEARING ON THE FUTURE

The ORCO Tech charter school agreement with the District was mutually cancelled as of the end of June 30, 2016. The North Bend School Board and the ORCO Board decided the program goals had been met and infused into the total school district. There had become little difference between an ORCO classroom and a North Bend classroom regarding the use of technology. Based on this information and a survey of parents and district staff, the decision was made to provide opportunities to all students and the charter school was dissolved at the end of the 2015-2016 school year. The financial impact on the District is expected to be minimal.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors and creditors) with a general overview of the School's finances and demonstrate the School's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the North Bend School District's Business Manager, 1913 Meade Street, North Bend, OR 97459.

BASIC FINANCIAL STATEMENTS

OREGON COAST TECHNOLOGY CHARTER SCHOOL
A COMPONENT UNIT OF COOS COUNTY SCHOOL DISTRICT NO. 13
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Total assets	\$ -	\$ -	\$ -
NET POSITION			
Unrestricted	-	-	-
Total liabilities and net position	\$ -	\$ -	\$ -

The notes to the basic financial statements are an integral part of this statement.

**OREGON COAST TECHNOLOGY CHARTER SCHOOL
A COMPONENT UNIT OF COOS COUNTY SCHOOL DISTRICT NO. 13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenses:			
Instruction	\$ 1,378,746	\$ -	\$ 1,378,746
Supporting services	<u>959,101</u>	<u>-</u>	<u>959,101</u>
Total program expenses	<u>2,337,847</u>	<u>-</u>	<u>2,337,847</u>
General revenues:			
Intergovernmental aid not restricted for a specific purpose	<u>2,337,847</u>	<u>-</u>	<u>2,337,847</u>
Increase in net position	-	-	-
Net position - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net position - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The notes to the basic financial statements are an integral part of this statement.

**OREGON COAST TECHNOLOGY CHARTER SCHOOL
A COMPONENT UNIT OF COOS COUNTY SCHOOL DISTRICT NO. 13**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Oregon Coast Technology Charter School, (the School or ORCO-Tech) was incorporated as a nonprofit corporation under the laws of the State of Oregon on June 16, 2003. The School was organized under provision of Oregon Revised Statutes Chapter 338 for the purpose of operating a school. The School, which is sponsored by Coos County School District No. 13 (the District) is governed by a seven-member board, appointed by the Board of Directors of Coos County School District No. 13.

The School provides a technology-based curriculum to students from grades seven to twelve. The School is sponsored by the District and students enrolled with ORCO-Tech attend classes at the District's middle and high schools, along with students who are not enrolled in the program. Support for the School comes from the State of Oregon in the form of the basic school support and federal grants.

Under the criteria established by the Governmental Accounting Standards Board (GASB), the School is considered a blended component unit of the District because the District Board has the ability to impose its will on the School and is financially accountable for the School. Accordingly, the School's financial statements are included in the financial statements of the District. The School itself has no potential component units.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

1. Basis of Presentation

School-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School as a whole. These statements include the financial activities of the primary school. All of the School activities are categorized as governmental activities.

Governmental activities – The School programs are reported in this category. State school support and federal grants are the primary sources that finance these activities.

The School-wide statements are prepared using the economic resources measurement focus and are reported on the accrual basis of accounting. This is the same approach used in preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

The School-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Indirect expenses such as interest and depreciation are not allocated across functions, as they are not specifically associated with a particular service, program or department. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. Fund Accounting

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

Governmental funds are used to account for the School's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Charges for services are susceptible to accrual if received within 90 days of year-end. Other receipts become measurable and available when cash is received by the School and are recognized as revenue at that time.

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the School; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditures and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the susceptible to accrual criteria are met.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims of judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The School currently has no long-term debt.

C. Assets, Liabilities and Net Position/Fund Balance

1. Cash and Cash Equivalents

The School's cash and cash equivalents are considered to be cash on hand and demand deposits

The School maintains merged bank accounts for its funds in a central pool of cash and cash equivalents that are commingled with the Coos County School District No. 13.

2. Receivables and Payables

Receivables and payables are recorded on the Statement of Net Position in accordance with the policies enumerated above. Management believes that the amount of any uncollectible accounts included in the receivable balance is not significant. Therefore, no provision for uncollectible accounts has been made. There were no receivables or payables at year-end.

3. Capital Assets

Capital assets are defined by the School as assets with an initial individual cost of \$5,000 or more, and an initial estimated useful life extending beyond a single reporting period. The School currently owns no capital assets.

4. Grants and Other Operating Revenues

The School receives funding from the State of Oregon based on the number of enrolled students. The School also, at times, receives federal grants, through the State of Oregon Department of Education. These grants are on a reimbursement basis, therefore, the District provides cash flows to the School until the grant funds are received.

5. 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.

6. Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements

Government-wide net position is divided into three components:

Net investment in capital assets - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position - consists of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – all other net position is reported in this category.

7. Fund Balance

The goal of the Charter School and the District is for the Charter School to be cost neutral to the District and that the allocated administrative and overhead expenditure will be reviewed annually to achieve cost neutrality. Therefore, the fund balance of the Charter School is zero.

8. Fund Equity Policies

Pursuant to GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* the District classifies fund balance on a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

- *Nonspendable* fund balance represents amounts that are not in a spendable form. The nonspendable balance represents prepaid items.
- *Restricted* fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- *Committed* fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- *Assigned* fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- *Unassigned* fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual balance as unassigned.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The School is a program within the Coos County School District No. 13 and School's budget is commingled within the District's. The School is exempt from Oregon Budget Law and the Oregon Department of Education does not require the School to adopt a separate budget. Therefore, no budgetary information is presented.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

Deposits. The Governmental Accounting Standards Board 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 School at June 30, 2016. If bank deposits at year end are not entirely insured or collateralized with securities held by the School or by its agent in the School's name, the School must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits, and are held in the name of the District.

For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to participate in the Public Funds Collateralization Program. For the fiscal year ended June 30, 2016, the School had no deposits.

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 School does not have a formal deposit policy for custodial credit risk.

Oregon State Treasurer is responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized to the extent required by Oregon Revised Statutes (ORS) 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third party custodian bank securities having a value of 10 percent, 25 percent or 110 percent of public funds on deposit depending primarily on the capitalization level of the depository bank. Deposits in the Public Funds Collateralization Pool are not 100% guaranteed.

IV. OTHER INFORMATION

A. Contingent Liabilities

The ORCO-Tech Charter School received some of its support from other governmental entities. These amounts are subject to audit and adjustment by these governments and any ineligible costs may constitute a liability of the ORCO-Tech Charter School. As of June 30, 2016, management was not aware of any ineligible costs.

B. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Coos County School District No. 13 carries commercial insurance that covers the School. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the District has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

C. Discontinuation

The ORCO Tech charter school agreement with the District was mutually cancelled as of the end of June 30, 2016. The North Bend School Board and the ORCO Board decided the program goals had been met and infused into the total school district. There had become little difference between an ORCO classroom and a North Bend classroom regarding the use of technology. Based on this information and a survey of parents and district staff, the decision was made to provide opportunities to all students and the charter school was dissolved at the end of the 2015-2016 school year. The financial impact on the District is expected to be minimal.

ACCOMPANYING INFORMATION



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

December 14, 2016

To the Board of Directors of
Oregon Coast Technology Charter School
A Component Unit of Coos County School District No. 13

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Oregon Coast Technology Charter School, a component unit of Coos County School District No. 13, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

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

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

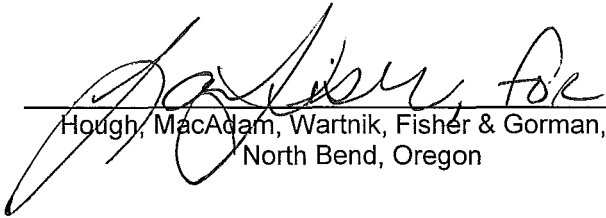
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Oregon Coast Technology Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
North Bend, Oregon



**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON MINIMUM AUDIT STANDARDS**

December 14, 2016

To the Board of Directors of
Oregon Coast Technology Charter School
A Component Unit of Coos County School District No. 13

We have audited the basic financial statements of Oregon Coast Technology Charter School, a component unit of Coos County School District No. 13 as of and for the year ended June 30, 2016 and the related notes to the financial statements, and have issued our report thereon dated December 14, 2016.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Oregon Coast Technology Charter School's, basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 to 162-10-320, as set forth below, 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:

The requirements relating to insurance and fidelity bond coverage.

The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.

The requirements pertaining to the awarding of public contracts and the construction of public improvements (ORS Chapters 279A, 279B, 279C).

The results of our tests disclosed no instances of noncompliance that are required to be reported under the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State.

OAR 162-10-230 Internal Control

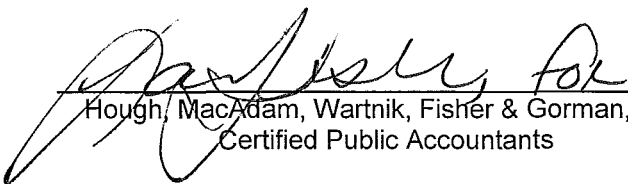
In planning and performing our audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Purpose of this Report

This report is intended solely for the information and use of management, North Bend School District Board of Directors and management, Oregon Coast Technology Charter School Board of Directors, Oregon Secretary of State Division of Audits, and federal awarding agencies and pass-through entities and is not intended to be and should not be used and should not be used by anyone other than these specified parties.



Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
Certified Public Accountants