

**LINCOLN COUNTY SCHOOL DISTRICT  
459 S.W. COAST HIGHWAY  
NEWPORT, OREGON 97365**

**FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2014**



Prepared by:

The Business Services Department  
Julie Baldwin, Business Manager

Artwork Courtesy of Depoe Bay Kids Zone

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

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**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

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**LINCOLN COUNTY SCHOOL DISTRICT  
LINCOLN COUNTY, OREGON**

**PRINCIPAL OFFICIALS**

<u>ZONE</u>	<u>BOARD OF DIRECTORS</u>	<u>TERM EXPIRES</u>
1	Karen Bondley – Vice Chair	June 30, 2015
2	Liz Martin - Chair	June 30, 2015
3	Ron Beck	June 30, 2017
4	Kelley Ellis	June 30, 2017
5	Terri Wood	June 30, 2017

All board members will receive mail at the following address:

459 SW Coast Highway  
Newport, Oregon 97365

**ADMINISTRATION**

Tom Rinearson, Superintendent  
Julie Baldwin, Business Manager



**PAULY, ROGERS AND CO., P.C.**  
12700 SW 72<sup>nd</sup> Ave. ♦ Tigard, OR 97223  
(503) 620-2632 ♦ (503) 684-7523 FAX  
www.paulyrogersandcocpas.com

December 9, 2014

To the Board of Directors  
Lincoln County School District  
Lincoln County, Oregon

## INDEPENDENT AUDITORS' REPORT

### **Report on the Financial Statements**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lincoln County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District'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.

### **Auditors' 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 basic 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 auditors' 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 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 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Lincoln County School District, at June 30, 2014 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.

## **Emphasis of Matter**

The District adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, 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 Management's Discussion and Analysis, as listed in the table of contents, 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 Management's Discussion and Analysis, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln County School District's financial statements. The supplementary and other information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 supplementary information, as listed in the table of contents, and the schedule of federal expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 9, 2014, on our consideration of Lincoln County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and do not provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 9, 2014, 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.

A handwritten signature in black ink, appearing to read "Ken Allen".

Kenneth Allen, CPA  
Municipal Auditor

**PAULY, ROGERS AND CO., P.C.**

## **LINCOLN COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

The discussion and analysis of Lincoln County School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the District's Financial Statements, which follows this MD&A. Comparative information is provided between the prior fiscal year ended June 30, 2013 and June 30, 2014.

### **FINANCIAL HIGHLIGHTS**

- At June 30, 2014, the District's assets exceeded its liabilities by \$43,088,793.
- The District has \$96,654,798 invested in capital assets, net of depreciation.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The School District's annual report consists of a series of financial statements that show information for the District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provides information about the activities of the District as a whole and presents a longer-term view of the District's finances. Our fund financial statements are included later in the financial report. For our governmental activities, these statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the District's overall financial health. Fund financial statements also report the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant fund, the general fund. The remaining statement, the Statement of Fiduciary Net Position presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements present information on the District's finances in a manner similar to private sector businesses. One of the most important questions asked about the District is, "Is the District as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information on the District as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position shows the District's assets and liabilities, with the difference between the two reported as net assets. All capital assets and long-term liabilities, and general governmental functions, are shown in the Statement of Net Position.

The Statement of Activities shows revenues, expenses and the change in net assets for the District as a whole. Revenue and expenses attributable to specific functions are segregated from general revenues to display the extent to which general revenues support each function.



## FUND FINANCIAL STATEMENTS

Governmental funds account for the same functions as reported as governmental activities in the government-wide financial statements. The governmental fund reporting focuses on how money flows in and out of funds and the balances left at year end that are available for spending. They are reported using the accounting method called “modified accrual” accounting, which measures cash and all other financial assets that can be readily converted to cash. This information is essential for preparation of and compliance with annual budgets. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the government statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets, liabilities and net position were as follows:

	<u>2014</u>	<u>2013</u>	<u>Difference</u>	<u>%</u>
<b>Assets</b>				
Current and other assets	\$ 49,136,015	\$ 61,345,335	\$ (12,209,320)	-19.9%
Capital assets (net)	96,654,798	92,390,693	\$ 4,264,105	4.6%
Total assets	<u>145,790,813</u>	<u>153,736,028</u>	<u>\$ (7,945,215)</u>	<u>5.2%</u>
<b>Liabilities</b>				
Other liabilities	7,889,649	6,249,524	1,640,125	26.2%
Long-term liabilities	94,812,371	103,711,948	(8,899,577)	-8.6%
Total liabilities	<u>102,702,020</u>	<u>109,961,472</u>	<u>(7,259,452)</u>	<u>-6.6%</u>
<b>Net Assets</b>				
Investment in capital assets, net of related debt	38,795,679	26,347,765	12,447,914	47.2%
<b>Restricted For:</b>				
Grant Programs	858,751	1,376,413	(517,662)	-37.6%
Food Service	118,154	58,253	59,901	102.8%
Insurance Claims	653,363	629,649	23,714	3.8%
Student Body	803,027	763,710	39,317	5.1%
Debt Service	4,302,955	3,771,996	530,959	14.1%
Net assets: unrestricted	(2,443,136)	10,826,770	(13,269,906)	-122.6%
Total net position	<u>\$ 43,088,793</u>	<u>\$ 43,774,556</u>	<u>\$ (685,763)</u>	<u>-1.6%</u>

The district has \$49,136,015 in current and other assets. Of that amount \$27,121,091 is prepaid pension costs. The district sold two general obligation bonds in fiscal year 2002-2003 to pay down the district's unfunded actuarial liability for PERS. The District received voter approval in May 2011 to sell \$63,000,000 in Capital Construction Bonds. Those bonds were sold in June 2011, realizing a net premium of \$67,624,666 in revenue which was received in July 2011. Capital assets, net of depreciation, increased \$4,264,105 with construction completed during 2013-14.

The District's revenues and expenses for fiscal year 2012-2013 and 2013-2014, were as follows:

	2014	2013	Difference	%
<b>Revenues</b>				
Charges for Services	\$ 629,721	\$ 571,532	\$ 58,189	10.2%
Operating Grants	8,309,565	6,704,726	\$ 1,604,839	23.9%
<b>General Revenues</b>				
Property Taxes	36,464,632	35,517,375	\$ 947,257	2.7%
State Revenue Sharing	9,870,254	8,860,464	\$ 1,009,790	11.4%
Miscellaneous	3,798,098	9,571,262	\$ (5,773,164)	-60.3%
<b>Total Revenues</b>	<b>59,072,270</b>	<b>61,225,359</b>	<b>(2,153,089)</b>	<b>-3.5%</b>
<b>Expenses</b>				
Instruction	30,756,111	27,980,333	2,775,778	9.9%
Support Services	22,234,087	19,639,405	2,594,682	13.2%
Community Services	1,984,493	1,710,066	274,427	16.0%
Interest on Long-Term Debt	4,783,342	6,161,235	(1,377,893)	-22.4%
<b>Total Expenses</b>	<b>59,758,033</b>	<b>55,491,039</b>	<b>4,266,994</b>	<b>7.7%</b>
Change in Net Position	(685,763)	5,734,320	(6,420,083)	-112.0%
Beginning Net Position	43,774,556	38,040,236	5,734,320	15.1%
Ending Net Position	<b>\$ 43,088,793</b>	<b>\$ 43,774,556</b>	<b>\$ (685,763)</b>	<b>-1.6%</b>

Approximately 61% of the costs of the District's activities are paid by property taxes. Approximately 17% of the revenue comes from the State of Oregon. 1% of the costs of the District are paid for by charges for services. Roughly 14% of the District's activities are paid with operating grants.

The District Net Position decreased slightly by \$685,763 in the current fiscal year.

### **FUND FINANCIAL ANALYSIS**

The focus of the governmental funds statements are to provide information on near-term inflows, outflows and balances of spendable resources. Unreserved fund balance measures the District's net resources available for appropriation in the next fiscal year. As of June 30, 2014, total fund balance of

the governmental funds was \$15,467,536. The Capital Construction Fund accounts for \$4,029,212. These amounts are available to use, in accordance with applicable restrictions on the nature of the expenditures.

Summary of ending fund balances for the major governmental funds for 2014 and 2013 are as follows:

	ENDING FUND BALANCE		
	2014	2013	Change
General Fund	\$ 2,213,125	\$ 3,244,762	\$ (1,031,637)
Special Revenue Funds	4,268,881	5,513,326	(1,244,445)
Debt Service Fund	4,302,955	3,771,996	530,959
Capital Construction Fund	4,029,212	9,505,884	(5,476,672)
Dental/Vision Self Insurance Fund	653,363	629,649	23,714
Total	<u>\$ 15,467,536</u>	<u>\$ 22,665,617</u>	<u>\$ (7,198,081)</u>

The General Fund’s ending fund balance decreased by \$1,031,637. This change is a direct result of the decrease in State School Funding due to the District’s teacher experience rate being less than the state average. Special Revenue Funds ending balances decreased due to resources in the Building Maintenance and ODE Facilities Grant Funds being expended. The Debt Service Fund balance has increased due to building a reserve balance for the 2011 GO Bonds as well as the PERS Debt Service fund balance to offset future year expenditure increases. Capital Construction Fund balances decreased as a result of the capital construction projects completed during the year. It is the District’s intention to hold the Dental/Vision Self Insurance Fund balance flat.

### **CAPITAL ASSETS**

At June 30, 2014 the District had \$96,654,798 invested in a broad range of capital assets, including land, building, equipment and vehicles. See Note 5 for further details on capital assets.

### **DEBT ADMINISTRATION**

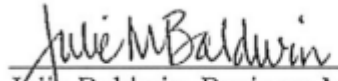
As of June 30, 2014 the District had \$99,023,618 in outstanding bonds. The two bond obligations the District incurred in 2002-2003 are the Limited Tax Pension Bonds sold in October 2002 and April 2003. The resources from these bonds allowed the District to pay down the unfunded liability with Oregon Public Employees Retirement System (PERS). As a result of these bonds, the District’s 2013-14 PERS rate was reduced from 22.29% to .49%. The District repays the bonds from the same money that it would have paid to PERS by charging 19.5% to salary expenditures and transferring to the PERS debt service fund. The 2011 General Obligation Bonds have been reduced by \$4,245,194 from the previous year, with an outstanding value of \$58,150,000.

## **THE 2014-2015 BUDGET**

The budget for 2014-15 has total appropriations of \$86,343,598, compared to the 2013-2014 budget of \$90,343,911, a net decrease of \$4,000,313. The General Fund budget increased \$2,321,317, directly related to the increase in State School Funding. The 2014-15 budget added services to students and began to achieve the Board goal of reducing class size by adding 12.23 licensed FTE. The budget includes an increase to Special Revenue/Grant Funds of \$1,938,988, primarily due to the District being awarded the ODE STEM Hub grant and the planning for a second round of funding for the SEAL Literacy Grant and the State Collaboration Grant. Debt Service budget increased \$1,899,221 to account for the 2011 Bond payments. The Capital Construction Funds are reduced by \$8,395,250 due to construction that was completed during 2013-14.

## **REQUESTS FOR INFORMATION**

Our financial report is designed to provide our taxpayers, parents, teachers, students, investors and creditors with an overview of the District's finances. If you have any questions about this report or need any clarification of information please contact Business Services at the Lincoln County School District.

  
\_\_\_\_\_  
Julie Baldwin, Business Manager  
Lincoln County School District

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**STATEMENT OF NET POSITION**  
**June 30, 2014**

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	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 15,335,076
Receivables	6,615,748
Due From Fiduciary Fund	64,100
Prepaid Pension Costs	27,121,091
Capital assets, net of depreciation	<u>96,654,798</u>
Total Assets	<u>145,790,813</u>
<b>LIABILITIES:</b>	
Accounts payable	1,690,238
Unearned Revenue	108,681
Payroll liabilities	1,379,740
Noncurrent liabilities:	
Due within one year	4,710,990
Due in more than one year	<u>94,812,371</u>
Total Liabilities	<u>102,702,020</u>
<b>NET POSITION:</b>	
Invested in Capital Assets, net of Related Debt	38,795,679
Restricted For:	
Grant Programs	858,751
Food Service	118,154
Insurance Claims	653,363
Student Body	803,027
Debt Service	4,302,955
Unrestricted	<u>(2,443,136)</u>
Total Net Position	<u>\$ 43,088,793</u>

The accompanying notes are an integral part of this statement.

**LINCOLN COUNTY SCHOOL DISTRICT  
LINCOLN COUNTY, OREGON**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014**

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 30,756,111	\$ 125,051	\$ 4,581,350	\$ (26,049,710)
Support Services	22,234,087	274,618	2,121,073	(19,838,396)
Community Services	1,984,493	230,052	1,607,142	(147,299)
Interest on Long-Term Debt	4,783,342	-	-	(4,783,342)
Total Primary Government	<u>\$ 59,758,033</u>	<u>\$ 629,721</u>	<u>\$ 8,309,565</u>	<u>(50,818,747)</u>
		General Revenues		
		Property Taxes		36,464,632
		State Revenue Sharing		9,870,254
		Grants/Contributions Not Restricted to Specific Programs		
		State, Intermediate and Local Sources		409,725
		Federal Sources		354,602
		Federal Bond Subsidy		665,122
		Interest and Investment Earnings		167,396
		Miscellaneous		<u>2,201,253</u>
		Total General Revenues		<u>50,132,984</u>
		Changes in Net Position		(685,763)
		Net Position - Beginning		<u>43,774,556</u>
		Net Position - Ending		<u>\$ 43,088,793</u>

The accompanying notes are an integral part of this statement.

**LINCOLN COUNTY SCHOOL DISTRICT  
LINCOLN COUNTY, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2014**

	GENERAL FUND	SPECIAL FUNDS	DEBT SERVICE FUND
<b>ASSETS:</b>			
Cash and investments	\$ 1,053,524	\$ 4,725,462	\$ 4,225,498
Receivables:			
Taxes	3,132,747	-	514,435
Accounts	937,505	329,916	36,096
Grants	-	1,650,049	-
Loans	-	15,000	-
Due from other funds	1,991,304	-	-
<b>Total Assets</b>	<b>\$ 7,115,080</b>	<b>\$ 6,720,427</b>	<b>\$ 4,776,029</b>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
Due to Other Funds	\$ -	\$ 1,927,030	\$ -
Accounts Payable	645,876	396,519	-
Payroll Liabilities	1,375,424	4,316	-
Unearned Revenue	-	108,681	-
<b>Total Liabilities</b>	<b>2,021,300</b>	<b>2,436,546</b>	<b>-</b>
<b>Deferred Inflows:</b>			
<b>Unavailable revenue:</b>			
Property Taxes	2,880,655	-	473,074
Other	-	15,000	-
<b>Total Deferred Inflows</b>	<b>2,880,655</b>	<b>15,000</b>	<b>473,074</b>
<b>Fund Balances:</b>			
<b>Restricted For:</b>			
Capital Projects	-	-	-
Grant Programs	-	858,751	-
Food Service	-	118,154	-
Insurance Claims	-	-	-
Student Body	-	803,027	-
Debt Service	-	-	4,302,955
<b>Committed For:</b>			
Building Maintenance	-	1,782,880	-
Technology Services	-	664,589	-
Vehicle Replacement	-	41,480	-
Unassigned	2,213,125	-	-
<b>Total Fund Balances</b>	<b>2,213,125</b>	<b>4,268,881</b>	<b>4,302,955</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 7,115,080</b>	<b>\$ 6,720,427</b>	<b>\$ 4,776,029</b>

The accompanying notes are an integral part of this statement.

CAPITAL CONSTRUCTION FUND	DENTAL/VISION SELF INSURANCE FUND	TOTALS
\$ 4,676,216	\$ 654,376	\$ 15,335,076
-	-	3,647,182
-	-	1,303,517
-	-	1,650,049
-	-	15,000
-	-	1,991,304
<u>\$ 4,676,216</u>	<u>\$ 654,376</u>	<u>\$ 23,942,128</u>
\$ 174	\$ -	\$ 1,927,204
646,830	1,013	1,690,238
-	-	1,379,740
-	-	108,681
<u>647,004</u>	<u>1,013</u>	<u>5,105,863</u>
-	-	3,353,729
-	-	15,000
-	-	3,368,729
4,029,212	-	4,029,212
-	-	858,751
-	-	118,154
-	653,363	653,363
-	-	803,027
-	-	4,302,955
-	-	1,782,880
-	-	664,589
-	-	41,480
-	-	2,213,125
<u>4,029,212</u>	<u>653,363</u>	<u>15,467,536</u>
<u>\$ 4,676,216</u>	<u>\$ 654,376</u>	<u>\$ 23,942,128</u>



**LINCOLN COUNTY SCHOOL DISTRICT  
LINCOLN COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014**

	GENERAL FUND	SPECIAL FUNDS	DEBT SERVICE FUND
REVENUES:			
Taxes	\$ 30,620,023	\$ 145,521	\$ 5,042,329
Federal grants	354,603	6,144,244	-
State and local sources	10,567,015	1,972,342	-
Intermediate Sources	282,889	2,275	-
Charges for services	668,902	230,051	3,827,892
Earnings from investments	60,216	23,579	24,152
Miscellaneous	492,276	1,612,472	-
Total Revenues	<u>43,045,924</u>	<u>10,130,484</u>	<u>8,894,373</u>
EXPENDITURES:			
Current:			
Instruction	26,796,681	3,251,516	-
Support Services	17,233,605	4,880,797	-
Community Services	-	1,933,563	-
Facilities Acquisition and Construction	-	-	-
Capital Outlay	47,275	1,322,103	-
Debt Service:			
Other General Professional Services	-	-	1,600
Principal	-	-	3,933,666
Interest	-	-	4,428,148
Total Expenditures	<u>44,077,561</u>	<u>11,387,979</u>	<u>8,363,414</u>
Revenues over (under) expenditures	(1,031,637)	(1,257,495)	530,959
Other Financing Sources, (Uses):			
Transfers in	-	-	-
Transfer out	-	-	-
Sale of Capital Assets	-	13,050	-
Total other financing sources (uses)	<u>-</u>	<u>13,050</u>	<u>-</u>
Net Change in Fund Balance	(1,031,637)	(1,244,445)	530,959
Fund balance, July 1, 2013	<u>3,244,762</u>	<u>5,513,326</u>	<u>3,771,996</u>
Fund balance, June 30, 2014	<u>\$ 2,213,125</u>	<u>\$ 4,268,881</u>	<u>\$ 4,302,955</u>

The accompanying notes are an integral part of this statement.

CAPITAL CONSTRUCTION FUND	DENTAL/VISION SELF INSURANCE FUND	TOTALS
\$ 447,663	\$ -	\$ 36,255,536
-	-	6,498,847
-	-	12,539,357
-	-	285,164
-	665,348	5,392,193
56,443	3,006	167,396
6,965	81,490	2,193,203
<u>511,071</u>	<u>749,844</u>	<u>63,331,696</u>
-	-	30,048,197
-	726,130	22,840,532
-	-	1,933,563
1,244,077	-	1,244,077
4,743,666	-	6,113,044
-	-	1,600
-	-	3,933,666
-	-	4,428,148
<u>5,987,743</u>	<u>726,130</u>	<u>70,542,827</u>
(5,476,672)	23,714	(7,211,131)
-	-	-
-	-	-
-	-	13,050
<u>-</u>	<u>-</u>	<u>13,050</u>
(5,476,672)	23,714	(7,198,081)
<u>9,505,884</u>	<u>629,649</u>	<u>22,665,617</u>
<u>\$ 4,029,212</u>	<u>\$ 653,363</u>	<u>\$ 15,467,536</u>

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Position**  
**June 30, 2014**

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Total Fund Balances - Governmental Funds	\$	15,467,536
<p>The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The statement of Net Position includes those capital assets among the assets of the District as a whole.</p>		
Net Capital Assets		96,654,798
<p>The unamortized portion of prepaid pension costs is not available to pay for current period expenditures, and therefore is not reported in the governmental funds.</p>		
Prepaid pension costs		27,121,091
<p>Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Position.</p>		
Long term Liabilities		
Accrued Compensated Absences	\$	(127,152)
OPEB Liability		(372,591)
General obligation bonds payable (Net of unamortized premium and discount)		<u>(99,023,618)</u>
		(99,523,361)
Unavailable revenue related to property taxes and other assets		<u>3,368,729</u>
Net Position	\$	<u><u>43,088,793</u></u>

The accompanying notes are an integral part of this statement.

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**Reconciliation of the Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2014**

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Total Net Changes in Fund Balances - Governmental Funds \$ (7,198,081)

Repayment of bond principal, premium/discount, compensated absences, and post retirement obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Additions to these items are expenses in the Statement of Activities, but not in the governmental funds. 4,188,587

Bond Issue Costs are no longer an asset under GASB 65 (407,449)

Capital asset additions are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeds depreciation.

Capital Asset Additions 7,356,672  
Depreciation Expense (3,092,567)

In the governmental funds, the current year payment to PERS to advance fund the District's UAL is charged as expenditures. In the Statement of Net Position it is reported as an asset and amortized over the life of the pension bonds issued to fund the payment. This is the net effect of these transactions:

Less amortization of prepaid PERS liability (1,737,021)

Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes a deferred revenue for all property taxes levied but not received, however in the Statement of Activities, there is no deferred revenue and the full property tax receivable is accrued.

204,096

Change in Net Position of Governmental Activities \$ (685,763)

The accompanying notes are an integral part of this statement.

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**June 30, 2014**

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	<u>COMMUNITY SERVICES FUND</u>
ASSETS:	
Cash	\$ -
Accounts Receivable	<u>72,287</u>
Total Assets	<u><u>72,287</u></u>
LIABILITIES:	
Due To Other Funds	64,100
Due To Other Groups	<u>8,187</u>
Total Liabilities	<u><u>\$ 72,287</u></u>

The accompanying notes are an integral part of this statement.

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**REPORTING ENTITY**

Lincoln County School district is a municipal corporation governed by an elected board. The accompanying financial statements present the government and any component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The District does not have any component units.

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)**

The Statement of Net Position and Statements of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions".

Program Revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest of general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND FINANCIAL STATEMENTS**

The accounts of the District 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. The minimum number of funds is maintained consistent with legal and managerial requirements.

**GOVERNMENTAL FUND TYPES**

Governmental funds are used to account for the District'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. Property tax revenue and proceeds from sale of property are not considered available and, therefore, are not recognized until received. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, interfund transactions, and certain compensated absences and claims and judgments which are recognized as expenditures because they will be liquidated with expendable financial resources.

Revenues susceptible to accrual are interest, state, county and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The District reports the following major governmental funds:

**GENERAL FUND**

The General Fund accounts for all financial resources and expenditures of the District, except those required to be accounted for in another fund. The principal revenue sources are property taxes and an apportionment from the State of Oregon School Support Fund.

**SPECIAL FUNDS**

The Special Funds account for revenues and expenditures related to specific educational and other projects. Principal revenue sources are federal and state grant awards, fundraising, donations, proceeds from the sale of land and/or buildings and earnings from temporary investments.

**DEBT SERVICE FUND**

The Debt Service Fund accounts for the payment of principal and interest of the District's general obligation bonds and PERS Bonds. The principal resources are property taxes for general obligation bonds and internal charges for PERS Bonds.

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL CONSTRUCTION FUND**

The Capital Construction Fund accounts for expenditures related to bond funded capital projects. Principal resources are bond proceeds and construction excise taxes.

**DENTAL/VISION SELF INSURANCE FUND**

The Dental/Vision Self Insurance Fund accounts for insurance claims made by employees for dental and vision. The principal resources are internal charge.

**FIDUCIARY FUND TYPE - AGENCY FUND**

The Fiduciary Fund Type accounts for the transactions of the District's Community Services Fund.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The District's fiduciary fund type includes one agency fund. An agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

The governmental funds and fiduciary fund types are maintained using the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they become susceptible to accrual (i.e., measurable and available) and expenditures are recorded at the time the related fund liabilities are incurred, except for:

- 1) Vested compensated absences which are recorded as expenditures to the extent they are expected to be liquidated with expendable available financial resources.
- 2) Post retirement benefits which are recorded when paid.
- 3) Accrued interest and principal on long-term debt which is recorded on its due date.

Significant revenues susceptible to accrual under the modified accrual basis of accounting are as follows:

- 1) Federal and state grants.
- 2) Property taxes received within approximately sixty days of the end of a fiscal year.
- 3) Any local or county shared revenues.

The basis of accounting described above is in accordance with accounting principles generally accepted in the United States of America.



**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BUDGETS**

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles except the property taxes received after year-end not considered budgetary resources in the funds. A budget is not prepared for the agency funds as allowed by Oregon law.

The District begins its budget process early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in spring with a public hearing being held approximately three weeks later. The Board may amend the budget prior to adoption. However, budgeted expenditures for each fund may not be increased by more than ten percent without re-publication. The budget is then adopted, appropriations are made, and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels for each fund:

**LEVEL OF CONTROL**

Instruction  
Supporting Services  
Enterprise & Community Services  
Facilities Acquisition and Construction  
Other Uses - Debt Service and Interfund Transfers  
Operating Contingency

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budgeted appropriation amounts and an appropriation transfer.

Expenditures of the various funds were within authorized appropriation levels for the year ended June 30, 2014.

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**PROPERTY TAXES RECEIVABLE**

Uncollected real and personal property taxes are reflected on the statement of net position and the balance sheet as receivables. Uncollected taxes are deemed to be substantially collectible or recoverable through liens. All property taxes receivable are due from property owners within the District.

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

**GRANTS**

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures are recorded as unearned revenue on the statement of net position and the balance sheet.

**INVENTORIES**

School food and other cafeteria supplies are stated at average invoice cost. The District accounts for the inventory based on the consumption method. Under the consumption method inventory is recorded when purchased and expenditures/expenses are recorded when inventory items are used. Donated commodities consumed during the year are reported as revenues and expenditures. The amount of unused donated commodities at balance sheet date is considered immaterial for reporting purposes.

**CAPITAL ASSETS**

Capital assets are recorded at original cost or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Interest incurred during construction is not capitalized. The cost of routine maintenance and repairs that do not add to the value of the assets or materially extend asset lives are charged to expenditures as incurred and not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 to 50 years
Vehicles and Equipment	5 to 30 years

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**COMPENSATED ABSENCES**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued in the government-wide statements. A liability is accrued in the governmental funds because the District expects that vacation pay will be liquidated with expendable available resources.

**USE OF ESTIMATES**

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

**LONG-TERM OBLIGATIONS**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt. As permitted by GASB Statement No. 34 the cost of bond issuance will be amortized prospectively from the date of adoption of GASB Statement No. 34.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**FUND BALANCE**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The District does not have any balances that meet this classification.
- 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.

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND BALANCE (CONTINUED)**

- 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. The District has not assigned fund balances.
- 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 fund balance as unassigned.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

**NET POSITION**

Net position comprises of the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Components of net position are classified in the following three categories:

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There are no restricted assets.

Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

**DEFERRED OUTFLOWS/INFLOW OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have an item that qualifies for reporting in this category.

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 represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports revenue in the governmental funds that is not available to pay for current obligations as Deferred Inflows.

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**2. BUDGET/GAAP REPORTING DIFFERENCES**

While the District reports financial position, results of operations, and changes in fund balance/net position on the basis of accounting principles generally accepted in the United States of America (GAAP), the District's budgetary basis of accounting differs from generally accepted accounting principles, as required by ORS. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The primary differences between the District's budgetary basis and GAAP basis is the classification of capital outlay and debt service, which for budgetary purposes is reported within the functional categories at the level of appropriation control. In the budgetary statements capital purchases and debt service payments are recognized as expenses whereas in the GAAP statements they are recorded as increases in capital assets and reductions in long term debt.

**3. CASH AND INVESTMENTS**

State statutes govern the District's cash management policies, because the District does not have an official investment policy. Statutes authorize the District to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool. Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

**Investments**

The District has funds invested in a Wells Fargo portfolio consisting of U.S. Government obligations, as well as the Local Government Investment Pool. In accordance with Oregon law, the District limits its investments to those with issuers within Oregon with a rating of at least "A" (bond) or A-2/P-2 (commercial paper) or better by Standard and Poor's, Moody's Investor Service or any other nationally recognized statistical rating organization. Issuers not in Oregon must be rated AA/Aa (bonds) or A-1/P-1 (commercial paper) or better.

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2014.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2014 the fair value of the District's position in the Local Government Investment Pool is 100.8% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**3. CASH AND INVESTMENTS (CONTINUED)**

Cash and Investments at June 30, 2014, (recorded at fair value) consisted of:

Deposits With Financial Institutions:		<u>2014</u>	
Petty Cash	\$	432	
Demand Deposits:			
Checking		1,326,592	
CD's		33,689	
Money Market		3,819,924	
Investments		<u>10,154,439</u>	
	\$	<u>15,335,076</u>	

Investment Type	Fair Value	Investment Maturities (in months)	
		Less than 3	More than 3
State Treasurer's Investment Pool	\$ 10,154,439	\$ 10,154,439	\$ -
Total	<u>\$ 10,154,439</u>	<u>\$ 10,154,439</u>	<u>\$ -</u>

**Interest Rate Risk**

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB.

**Credit Risk**

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

**Custodial Credit Risk**

At year-end, the District's net carrying amount of deposits was \$5,180,205 and the bank balance was \$6,040,993. Of these deposits, \$250,000 was covered by federal depository insurance. The remainder is collateralized by the Oregon Public Funds Collateralization Program (PFCP). Oregon Revised Statutes and District policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they were all capitalized, 25% of their quarter end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

**4. ACCOUNTS/GRANTS RECEIVABLE**

Special revenue fund grants receivable are comprised of claims for reimbursement of costs under various federal and state grant programs. No allowance for doubtful accounts is recorded because all receivables are deemed to be collectable.

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**5. CAPITAL ASSETS**

The changes in capital assets for the year ended June 30, 2014 are as follows:

	Balance June 30, 2013	Adjustments	Additions	Deletions	Balance June 30, 2014
Land*	\$ 6,581,191	\$ -	\$ -	\$ -	\$ 6,581,191
Construction in Progress*	36,081,075	(36,081,075)	-	-	-
Land Improvements	6,933,609	-	443,313	-	7,376,922
Buildings	67,910,686	36,081,075	6,127,603	-	110,119,364
Equipment	3,161,252	-	785,756	-	3,947,008
Total Capital Assets	<u>120,667,813</u>	<u>-</u>	<u>7,356,672</u>	<u>-</u>	<u>128,024,485</u>
Accumulated Depreciation:					
Land Improvements	113,767	-	77,216	-	190,983
Buildings	26,165,979	-	2,678,535	-	28,844,514
Equipment	1,997,374	-	336,816	-	2,334,190
Total Accumulated Depreciation	<u>28,277,120</u>	<u>\$ -</u>	<u>\$ 3,092,567</u>	<u>\$ -</u>	<u>31,369,687</u>
Total Net Capital Assets	<u>\$ 92,390,693</u>				<u>\$ 96,654,798</u>

\* Non Depreciable Asset

Depreciation was allocated to the functions as follows:

Instruction	\$ 2,319,426
Support Services	618,513
Community Services	<u>154,628</u>
Total	<u>\$ 3,092,567</u>

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**6. RETIREMENT PLAN**

Plan Description:

The District is a participating employer in the State of Oregon Public Employees Retirement System Plan. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute. In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (“OPSRP”) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who returned to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the Individual Account Program or “IAP”). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general verses police or fire).

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (“OPERB”). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at [www.oregon.gov/PERS](http://www.oregon.gov/PERS).

Description of Funding Policy:

Covered employees are required by State statute to contribute 6% of their salary to the plan. The District is required to contribute at actuarially determined rates, as adopted by the PERS Board. The District’s employer contribution rate effective July 1, 2013 was .59% for Tier I/Tier II employees and .49% for OPSRP employees. In October 31, 2002 and in April 2003, the District participated in the Oregon School Boards Association limited tax pension obligation bond issues to finance a portion of the estimated unfunded PERS actuarial liability (the “UAL”). The District borrowed \$47,951,519. The UAL rate as of July 1, 2013 was 18%. The District's contribution to the plan for the years ending June 30, 2014, 2013, and 2012 were \$105,949, \$106,568, and \$106,634, respectively, and were equal to the required contributions for each year.

**7. POST EMPLOYMENT HEALTH CARE BENEFITS**

Plan Description:

The District operates a single-employer retiree benefit plan that provides postemployment health, and dental vision to eligible employees and their spouses. There are active and retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements.

The District’s post-retirement healthcare plan established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District’s implicit employer contribution.

The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.



**LINCOLN COUNTY SCHOOL DISTRICT  
LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**7. POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

Funding Policy – The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the District to fund these benefits in advance.

Annual Pension Cost and Net Pension Obligation - The District's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within the parameter of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the OPEB obligation at the end of the year:

	2014	2013	2012
Annual required contribution	\$ 1,574,394	\$ 1,521,154	\$ 1,705,546
Interest on net pension obligation	14,564	20,462	18,994
Adjustment to annual required contribution	(60,083)	(98,102)	(77,012)
Annual pension cost	1,528,875	1,443,514	1,647,528
Contributions made	(1,520,375)	(1,590,968)	(1,610,800)
Increase in net pension obligation	8,500	(147,454)	36,728
NPO (Asset) at beginning of year	364,091	511,545	474,817
NPO (Asset) at end of year	\$ 372,591	\$ 364,091	\$ 511,545

Fiscal Year	Annual OPEB Cost	Percentage of annual OPEB cost contributed	Net OPEB Obligation
2014	\$ 1,443,514	110.2%	\$ 372,591
2013	\$ 1,443,514	110.2%	\$ 364,091
2012	\$ 1,647,870	97.8%	\$ 511,545

Actuarial Methods and Assumptions – The annual required contribution (ARC) for the current year was determined as part of the July 1, 2012 actuarial valuation using the projected unit credit method. The objective of this method is to fund each participant's benefits under the plans as they accrue. The unfunded accrued liability is amortized over an open period of 20 and 4 years for the implicit and explicit medical benefits respectively as a level percentage of payroll. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 4% compounded annually and a payroll growth rate of 3.5%, (b) Future retirees are assumed to continue in the plan in which they are currently enrolled, if any. 80 percent of members who elect coverage upon retirement were also assumed to elect spouse coverage until the spouse reaches age 65; (c) 2012-2013 annual medical/pharmacy claims costs for an age 64 retiree or spouse are assumed to be \$9,765. No implicit subsidy is assumed for dental and vision benefits.

Funding Status and Funding Progress – As of July 1, 2012, the plan was 0% funded. The actuarial accrued liability for benefits was \$8,946,272, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,946,272. The covered payroll (annual payroll of active employees covered by the plan) was still yet to be determined.

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**7. POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**8. LONG-TERM OBLIGATIONS**

Pension Obligation Bonds

In October 31, 2002 and April 2003, the District issued \$47,951,519 of limited tax pension obligation bonds to finance its unfunded actuarially accrued liability (UAL) with the State of Oregon Public Employees Retirement System (PERS). The issuance of the bonds was considered an advance refunding of the District's UAL and resulted in an estimated present value savings of approximately \$12.3 million over the life of the bonds. The actual savings realized by the District over the life of the bonds is uncertain because of the various legislative changes and legal issues pending with the PERS system which could impact the District's future required contribution rate. The Pension Obligation Bonds bear interest at 2.06% - 6.10% and mature on June 30, 2028.

General Obligation Bonds

On June 22, 2011, the District signed a purchase agreement to issue \$63,000,000 of General Obligation Bonds. The bonds were issued to pay for new construction and major renovation of District facilities. The bonds bear interest at 3.50-5.00% and mature on June 15, 2026. Included in the issue are \$15,000,000 in Qualified School Construction Bonds, which are part of an expiring federal stimulus program. Through the program, the District benefits because the federal government pays the vast majority of interest on the Qualified School Construction Bonds. All of the interest was initially being paid by the federal government, but starting in 2012-2013 the District has been required to pay minimal amounts of interest due to the federal sequester. The District estimates that it will save nearly \$7,000,000 in interest expense over the life of the bonds.

Changes in bonds outstanding are as follows:

<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2013</u>	<u>Issued</u>	<u>Matured &amp; Redeemed</u>	<u>Outstanding June 30, 2014</u>
October 2002	2.06-6.1%	\$ 21,009,781	\$ 14,255,000	\$ -	\$ -	\$ 14,255,000
April 2003	2.06-6.1%	26,941,738	13,465,000	-	-	13,465,000
August 2011	3.50-5.00%	63,000,000	60,910,000	-	2,760,000	58,150,000
			88,630,000	-	2,760,000	85,870,000
Unamortized Premium/ (Discount)			14,638,812	-	1,485,194	13,153,618
Total Bonds Payable			<u>\$ 103,268,812</u>	<u>\$ -</u>	<u>\$ 4,245,194</u>	<u>\$ 99,023,618</u>

**LINCOLN COUNTY SCHOOL DISTRICT  
LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**8. LONG-TERM OBLIGATIONS (CONTINUED)**

Future maturities of bond principal is as follows:

Fiscal Year Ending June	2002 PERS Bonds		2003 PERS Bonds		2011 GO Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ -	\$ 1,680,962	\$ -	\$ 2,277,922	\$ 3,055,000	\$ 2,514,850
2016	-	1,765,962	-	2,387,923	3,370,000	2,438,474
2017	-	1,860,963	-	2,507,923	3,635,000	2,309,926
2018	-	1,955,962	-	2,632,923	3,880,000	2,212,624
2019	-	2,055,962	-	2,762,922	4,165,000	2,083,226
2020-2024	5,400,000	5,116,001	2,735,000	13,224,610	25,045,000	7,129,150
2025-2028	8,855,000	1,267,373	10,730,000	1,319,180	15,000,000	1,433,400
<b>Total</b>	<b>\$ 14,255,000</b>	<b>\$ 15,703,185</b>	<b>\$ 13,465,000</b>	<b>\$ 27,113,403</b>	<b>\$ 58,150,000</b>	<b>\$ 20,121,650</b>

All long-term debt obligations are payable from the General and Debt Service funds.

Total long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 88,630,000	\$ -	\$ 2,760,000	\$ 85,870,000	\$ 3,055,000
Bond Premium	14,922,506	-	1,507,016	13,415,490	1,507,016
Bond Discount	(283,694)	-	21,822	(261,872)	21,822
OPEB Liability	364,091	8,500	-	372,591	-
Compensated Absences Payable	79,045	48,107	-	127,152	127,152
<b>Totals</b>	<b>\$ 103,711,948</b>	<b>\$ 56,607</b>	<b>\$ 4,288,838</b>	<b>\$ 99,523,361</b>	<b>\$ 4,710,990</b>

**9. DEFERRED COMPENSATION**

The District has a deferred compensation plan available for its employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one, which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service.

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**10. INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS**

The composition of interfund balances as of June 30, 2014, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,991,304	\$ -
Special Funds	-	1,927,030
Debt Service Fund	-	-
Capital Construction Fund	-	174
Dental/Vision Self Insurance Fund	-	-
Community Services Fund (Fiduciary)	-	64,100
	<u>\$ 1,991,304</u>	<u>\$ 1,991,304</u>

Interfund receivable balances, payable balances and transfers are used to fund operations between funds. There were no transfers in 2013-2014.

**11. PREPAID PENSION**

As a result of the issuance of the 2002 and 2003 Limited Tax Pension Obligation Bonds, as described in Note 9, the District has reported a Prepaid PERS Liability in the Statement of Position. The prepaid liability is equal to the initial \$47,383,167 payment made to PERS from the bond proceeds, less accumulated amortization at June 30, 2014, for a total of \$27,121,091. Annual amortization is being calculated on a straight-line basis over the life of the pension obligation bonds.

**12. PROPERTY TAX LIMITATIONS**

The voters of the State of Oregon approved ballot Measure 5, a constitutional limit on property taxes for schools and non-school government operations, in November 1990. School operations include community colleges, local school districts and education service districts. The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this initiative has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue. The voters of the State of Oregon passed ballot Measure 50 in May, 1997 to further reduce property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit.

Measure 50 reduced the amount of operating property tax revenues available to the District for its 1997-98 fiscal year, and thereafter. This reduction is accomplished by rolling assessed property values back to their 1995-96 values less 10%, and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Measure also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State of Oregon to minimize the impact of the tax cuts to school districts. The State of Oregon, in its 2001 legislative session, provided additional State revenues for the 2002-2003 biennium to help alleviate the impact on school operations. The ultimate impact to the District as a result of this measure is not determinable at this time.

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**13. RISK MANAGEMENT**

The District is self-insured for dental and vision and for certain policy deductible limits on District vehicles, errors and omissions and the first \$1,000 of property/fire losses. The District purchases insurance for worker's compensation, liability claims and all property losses in excess of deductible limits. There were no significant reductions in the District's insurance coverage during fiscal year 2013. Settled claims have not exceeded this commercial coverage for any of the past three years.

**14. COMMITMENTS AND CONTINGENCIES**

The District receives a substantial portion of its operating funding from the State of Oregon. State funding is determined through state wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate they can cause the District to either have increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the District's operations cannot be determined.

The District had \$120,322 in outstanding construction commitments at June 30, 2014, the entire amount of which is retainage on previously completed work. Retainage is a component of the District's Accounts Payable balance.

The District is involved in various claims and legal matters relating to its operations which have all been tendered to, and are either being adjusted by the District's liability carrier, or are being defended by attorneys retained by the District's liability carrier. The District does not believe that any of these matters will have a material impact on its June 30, 2014 financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**



**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF FUNDING PROGRESS**  
**For the Year Ended June 30, 2014**

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**MEDICAL BENEFIT - ACCOUNTING UNDER GASB 45**

<u>Valuation Date</u>	<u>Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL ÷ Payroll</u>
7/1/2008	\$ -	\$ 13,344,654	\$ 13,344,654	0.0%	\$ 23,206,164	57.5%
7/1/2010	\$ -	\$ 10,813,330	\$ 10,813,330	0.0%	\$ 18,714,049	57.8%
7/1/2012	\$ -	\$ 8,946,272	\$ 8,946,272	0.0%	\$ 20,692,784	43.2%

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET**  
**For the Year Ended June 30, 2014**

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES:</b>				
Revenue From Local Sources:				
Ad Valorem Taxes Levied by District	\$ 30,605,000	\$ 30,605,000	\$ 30,634,580	\$ 29,580
Revenue from Other Local Governments	-	-	10,278	10,278
Earnings from Investments	70,000	70,000	60,216	(9,784)
Rentals	75,000	75,000	125,051	50,051
Services Provided Other Local Education Agencies	201,045	201,045	274,619	73,574
Recovery of Prior Years' Expenditures	70,000	70,000	17,045	(52,955)
Services to other Funds	-	-	269,232	269,232
Fees Charged to Grants	345,000	345,000	379,222	34,222
Miscellaneous	976,343	960,599	492,276	(468,323)
Total Local Revenue	<u>32,342,388</u>	<u>32,326,644</u>	<u>32,262,519</u>	<u>(64,125)</u>
Revenue From Intermediate Sources:				
County School Fund	300,000	300,000	125,372	(174,628)
Restricted Revenue	150,000	150,000	157,517	7,517
Total Intermediate Revenue	<u>450,000</u>	<u>450,000</u>	<u>282,889</u>	<u>(167,111)</u>
Revenue From State Sources:				
State School Fund- General Support	11,786,673	11,786,673	9,423,693	(2,362,980)
Common School Fund	410,855	410,855	446,561	35,706
State Managed County Timber	350,000	350,000	153,820	(196,180)
Other Grants from State	-	-	136,396	136,396
Total State Revenue	<u>12,547,528</u>	<u>12,547,528</u>	<u>10,160,470</u>	<u>(2,387,058)</u>
Revenue From Federal Sources:				
Federal Forest Fees	-	-	354,603	354,603
Total Federal Revenue	<u>-</u>	<u>-</u>	<u>354,603</u>	<u>354,603</u>
Total Revenues	<u>45,339,916</u>	<u>45,324,172</u>	<u>43,060,481</u>	<u>(2,263,691)</u>
<b>EXPENDITURES:</b>				
Instruction	28,637,638	28,387,638 (1)	26,796,681	1,590,957
Support Services	17,068,288	17,318,288 (1)	17,280,880	37,408
Facilities, Acquisition and Construction	5	5 (1)	-	5
Debt Service	33,980	18,236 (1)	-	18,236
Contingencies	750,000	750,000 (1)	-	750,000
Total Expenditures	<u>46,489,911</u>	<u>46,474,167</u>	<u>44,077,561</u>	<u>2,396,606</u>
Excess of Revenues Over, (Under)				
Expenditures	(1,149,995)	(1,149,995)	(1,017,080)	132,915
Other Financing Sources, (Uses):				
Transfers Out	(5)	(5) (1)	-	5
Total Other Financing Sources, (Uses)	<u>(5)</u>	<u>(5)</u>	<u>-</u>	<u>5</u>
Net Change in Fund Balance	(1,150,000)	(1,150,000)	(1,017,080)	132,920
Beginning Fund Balance	2,150,000	2,150,000	2,978,113	828,113
Ending Fund Balance	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	1,961,033	<u>\$ 961,033</u>
Adjustment to Accrue Property Tax Revenue			252,092	
Ending Fund Balance - GAAP Basis			<u>\$ 2,213,125</u>	

(1) Appropriation Level



**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET**  
**For the Year Ended June 30, 2014**

	<u>SPECIAL FUNDS</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES:</b>				
Local Sources:				
Taxes - Prior Year Levies	\$ 225,600	\$ 225,600	\$ 145,521	\$ (80,079)
Earnings on Investments	5,950	5,950	23,579	17,629
School Sponsored Activities	1,165,000	1,165,000	1,061,695	(103,305)
Food Service Sales	311,515	311,515	230,051	(81,464)
Private Contributions	81,950	81,950	47,145	(34,805)
Recovery of Prior Year Expenditures	-	-	815	815
Miscellaneous	858,094	858,094	549,962	(308,132)
Intermediate Sources:				
Restricted Revenue	36,225	36,225	-	(36,225)
Unrestricted Revenue	1,950	1,950	2,275	325
State Sources:				
Basic School Support	96,000	96,000	94,600	(1,400)
Restricted Grants-In-Aid	424,244	424,244	1,830,597	1,406,353
Federal Sources:				
Restricted Grants-In-Aid	6,755,806	6,755,806	6,144,244	(611,562)
<b>Total Revenues</b>	<u>9,736,734</u>	<u>9,736,734</u>	<u>10,130,484</u>	<u>168,150</u>
<b>EXPENDITURES:</b>				
Instruction	4,961,153	4,961,153 (1)	3,642,492	1,318,661
Support Services	6,477,498	6,477,498 (1)	5,228,302	1,249,196
Community Services	2,531,753	2,531,753 (1)	1,933,563	598,190
Facilities Acquisition and Construction	1,813,000	1,813,000 (1)	583,622	1,229,378
<b>Total Expenditures</b>	<u>15,783,404</u>	<u>15,783,404</u>	<u>11,387,979</u>	<u>4,395,425</u>
Excess of Revenues Over, (Under)				
Expenditures	(6,046,670)	(6,046,670)	(1,257,495)	4,789,175
Other Financing Sources, (Uses):				
Sale of Capital Assets	1,000,000	1,000,000	13,050	(986,950)
Transfers Out	-	- (1)	-	-
<b>Total Other Financing Sources, (Uses)</b>	<u>1,000,000</u>	<u>1,000,000</u>	<u>13,050</u>	<u>(986,950)</u>
<b>Net Change in Fund Balance</b>	<u>(5,046,670)</u>	<u>(5,046,670)</u>	<u>(1,244,445)</u>	<u>3,802,225</u>
<b>Beginning Fund Balance</b>	<u>5,811,820</u>	<u>5,811,820</u>	<u>5,513,326</u>	<u>(298,494)</u>
<b>Ending Fund Balance</b>	<u>\$ 765,150</u>	<u>\$ 765,150</u>	<u>\$ 4,268,881</u>	<u>\$ 3,503,731</u>

(1) Appropriation Level

LINCOLN COUNTY, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2014**

DENTAL/VISION SELF INSURANCE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
From Local Sources:				
Earnings on Investments	\$ 3,000	\$ 3,000	\$ 3,006	\$ 6
Services Charged Other Funds	675,000	675,000	665,348	(9,652)
Miscellaneous	78,000	78,000	81,490	3,490
Total Local Revenue	<u>756,000</u>	<u>756,000</u>	<u>749,844</u>	<u>(6,156)</u>
EXPENDITURES:				
Support Services				
Purchased Services	786,500	786,500	726,130	60,370
Total Support Services	<u>786,500</u>	<u>786,500</u>	<u>726,130</u>	<u>60,370</u>
Total Expenditures	<u>786,500</u>	<u>786,500</u>	<u>726,130</u>	<u>60,370</u>
Net Change in Fund Balance	(30,500)	(30,500)	23,714	54,214
Beginning Fund Balance	<u>600,000</u>	<u>600,000</u>	<u>629,649</u>	<u>29,649</u>
Ending Fund Balance	<u>\$ 569,500</u>	<u>\$ 569,500</u>	<u>\$ 653,363</u>	<u>\$ 83,863</u>

(1) Appropriation Level

**SUPPLEMENTARY INFORMATION**



**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET**  
**For the Year Ended June 30, 2014**

DEBT SERVICE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES:</b>				
Revenue From Local Sources:				
Taxes - Current Year's Levy	\$ 4,873,350	\$ 4,873,350	\$ 4,919,152	\$ 45,802
Taxes - Prior Years' Levies	265,744	265,744	124,807	(140,937)
Services Provided Other Funds	3,739,725	3,739,725	3,827,892	88,167
Interest Earnings	<u>13,750</u>	<u>13,750</u>	<u>24,152</u>	<u>10,402</u>
Total Revenues	<u>8,892,569</u>	<u>8,892,569</u>	<u>8,896,003</u>	<u>3,434</u>
<b>EXPENDITURES:</b>				
Debt Service:				
Other General and Professional Services	1,700	1,700	1,600	100
Principal on Bonded Indebtedness	3,933,667	3,933,667	3,933,666	1
Interest on Bonded Indebtedness	<u>4,412,404</u>	<u>4,428,148</u>	<u>4,428,148</u>	<u>-</u>
Total Expenditures	<u>8,347,771</u>	<u>8,363,515 (1)</u>	<u>8,363,414</u>	<u>101</u>
Net Change in Fund Balance	544,798	529,054	532,589	3,535
Beginning Fund Balance	<u>2,920,766</u>	<u>2,920,766</u>	<u>3,729,005</u>	<u>808,239</u>
Ending Fund Balance	<u>\$ 3,465,564</u>	<u>\$ 3,449,820</u>	4,261,594	<u>\$ 811,774</u>
Adjustment to Accrue Property Tax Revenue			<u>41,361</u>	
Ending Fund Balance - GAAP Basis			<u>\$ 4,302,955</u>	

(1) Appropriation Level

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET**  
**For the Year Ended June 30, 2014**

<u>CAPITAL CONSTRUCTION</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Revenue From Local Sources:				
Taxes	\$ 225,000	\$ 225,000	\$ 447,663	\$ 222,663
Earnings on Investments	51,250	51,250	56,443	5,193
Miscellaneous	-	-	6,965	6,965
Total Revenues	276,250	276,250	511,071	234,821
EXPENDITURES:				
Facilities Acquisition and Construction	12,926,250	12,926,250 (1)	5,987,743	6,938,507
Total Expenditures	12,926,250	12,926,250	5,987,743	6,938,507
Net Change in Fund Balance	(12,650,000)	(12,650,000)	(5,476,672)	7,173,328
Beginning Fund Balance	12,650,000	12,650,000	9,505,884	(3,144,116)
Ending Fund Balance	\$ -	\$ -	\$ 4,029,212	\$ 4,029,212

(1) Appropriation Level

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED**  
**For the Year Ended June 30, 2014**

<u>GENERAL FUND</u>						
TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2013	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED June 30, 2014
Current:						
2013-14	\$ 30,858,103	\$ 767,005	\$ (21,639)	\$ 20,900	\$ 28,768,217	\$ 1,322,142
Prior Years:						
2012-13	1,434,062	(10)	46,941	50,795	739,234	792,574
2011-12	792,006	-	56,327	58,468	360,702	546,099
2010-11	503,216	-	92,954	94,609	399,306	291,473
2009-10	173,734	-	35,118	36,594	133,684	111,762
Prior	73,777	-	6,299	8,843	20,223	68,696
Total Prior	2,976,795	(10)	237,639	249,309	1,653,149	1,810,604
Total	<u>\$ 33,834,898</u>	<u>\$ 766,995</u>	<u>\$ 216,000</u>	<u>\$ 270,209</u>	<u>\$ 30,421,366</u>	<u>\$ 3,132,746</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurers Above	\$ 30,421,366
Accrual of Receivables:	
June 30, 2014	252,092
June 30, 2013	(266,649)
Other Taxes	41,019
Lane County Tax Revenue	<u>172,195</u>
Total GAAP Revenue	<u>\$ 30,620,023</u>

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED**  
**For the Year Ended June 30, 2014**

<u>DEBT SERVICE FUND</u>						
TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2013	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED June 30, 2014
Current:						
2013-14	\$ 5,245,143	\$ 130,373	\$ (3,678)	\$ 3,553	\$ 4,889,912	\$ 224,733
Prior Years:						
2012-13	238,760	(2)	7,815	8,457	123,077	131,957
2011-12	121,357	-	8,632	8,959	55,270	83,678
2010-11	77,207	-	14,261	14,515	61,263	44,720
2009-10	27,937	-	5,647	5,884	21,496	17,972
Prior	12,217	-	1,043	1,464	3,349	11,375
Total Prior	477,478	(2)	37,398	39,279	264,455	289,702
Total	<u>\$ 5,722,621</u>	<u>\$ 130,371</u>	<u>\$ 33,720</u>	<u>\$ 42,832</u>	<u>\$ 5,154,367</u>	<u>\$ 514,435</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurers Above	\$ 5,154,367
Accrual of Receivables:	
June 30, 2014	41,361
June 30, 2013	(42,991)
Other Taxes	6,797
Lane County Tax Revenue	<u>28,316</u>
Total GAAP Revenue	<u>\$ 5,187,850</u>
Reported In:	
Debt Service Fund	\$ 5,042,329
Special Funds	<u>145,521</u>
	<u>\$ 5,187,850</u>

**INDEPENDENT AUDITORS' REPORT REQUIRED**  
**BY OREGON STATE REGULATIONS**





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December 9, 2014

### **Independent Auditors' Report Required by Oregon State Regulations**

We have audited the basic financial statements of the Lincoln County School District as of and for the year ended June 30, 2014, and have issued our report thereon dated December 9, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Lincoln County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 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 statements 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:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the Lincoln County School District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

#### **OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

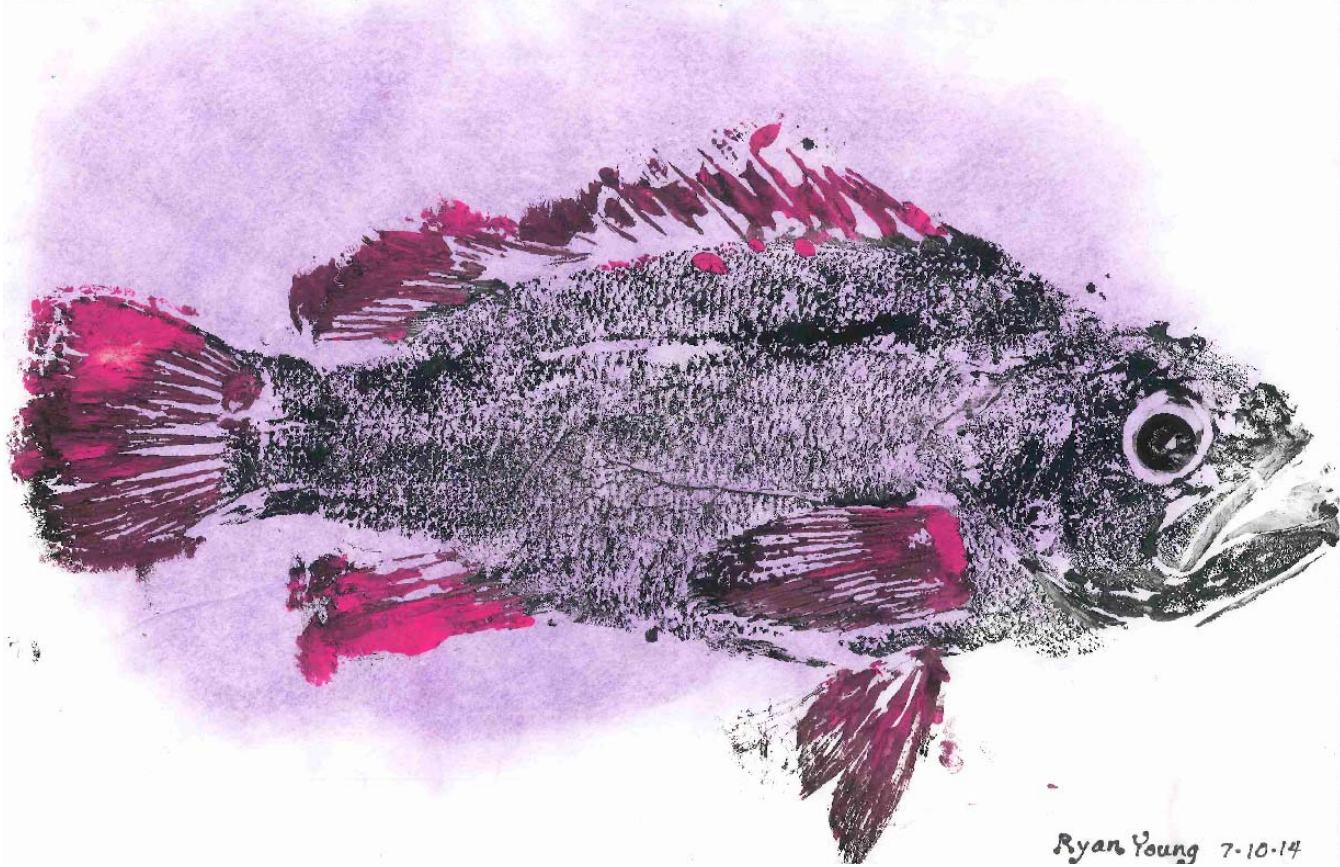
This report is intended solely for the information and use of the Board of Directors, management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Kenneth Allen, CPA  
Municipal Auditor

**PAULY, ROGERS AND CO., P.C**

**GRANT COMPLIANCE REVIEW**



**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2014**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT PERIOD	EXPENDITURES
<b>US DEPARTMENT OF EDUCATION</b>			
Passed through State Department of Education			
Title I Grants to Local Education Agencies	84.010	7/1/12-9/30/14	\$ 1,813,666
Title I State Agency Program for Neglected and Delinquent Children and	84.013	7/1/13-6/30/14	11,375
Special Education Cluster			
IDEA, Part B Section 611	84.027	7/1/12-9/30/15	852,716
SPR&I	84.027	8/1/13-6/30/14	3,524
IDEA Enhancement	84.027	10/1/13-9/30/14	7,403
IDEA Extended Assessment	84.027	7/1/13-6/30/14	900
Special Education - Preschool Grants	84.173	7/1/12-9/30/15	23,946
Total Special Education Cluster			<u>888,489</u> (1)
Mathematics and Science Partnerships	84.366	7/1/12-9/30/13	88,041
Improving Teacher Quality State Grants	84.367	7/1/12-6/30/15	511,069 (1)
Education for Homeless Children and Youth	84.196	7/1/12-9/30/14	55,438
English Language Acquisition State Grants	84.365	7/1/12-9/30/14	38,732
Twenty-First Century Community Learning Centers	84.287	7/1/13-9/30/14	304,029 (1)
Rural Education	84.358	7/1/12-9/30/14	140,404
TOTAL PASSED THROUGH ODE			<u>3,851,243</u>
Passed thru Oregon University System			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	7/1/13-6/30/14	<u>28,101</u>
Passed thru Chemeketa Community College			
Carl Perkins A	84.048	7/1/12-6/30/14	<u>5,040</u>
Passed Direct thru US Department of Education			
Project SEAL: Students Engaged in Authentic Literacy	84.215G	10/1/12-9/30/14	329,520
Indian Education - Grants to Local Educational Agencies	84.060A	7/1/13-6/30/14	103,962
Total Direct Awards			<u>433,482</u>
TOTAL US DEPARTMENT OF EDUCATION			<u>4,317,866</u>
<b>US DEPARTMENT OF AGRICULTURE</b>			
Passed through State Department of Education			
National School Lunch Program Cluster			
School Breakfast Program	10.553	7/1/13-6/30/14	398,093
National School Lunch Program	10.555	7/1/13-6/30/14	1,067,121
National School Lunch Program - Summer	10.559	7/1/13-6/30/14	23,951
Total National School Lunch Program Cluster			<u>1,489,165</u>
Cash in Lieu of Commodities (CACFP)	10.558	7/1/13-6/30/14	33,769
Fresh Fruit and Vegetable Program	10.582	7/1/13-6/30/14	84,208
Passed through Lincoln County			
Schools and Roads - Grants to States	10.665	7/1/13-6/30/14	<u>354,603</u>
TOTAL US DEPARTMENT OF AGRICULTURE			<u>1,961,745</u>
<b>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through State Department of Education			
ARRA - Head Start	93.708	3/1/12-8/30/13	<u>500</u>
<b>US DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through State Office of Emergency Management			
Pre-Disaster Mitigation Program	97.047	7/1/12 - 6/30/14	<u>218,736</u>
TOTAL FEDERAL FINANCIAL AWARDS			<u>\$ 6,498,847</u>

(1) Major Programs



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December 9, 2014

To the Board of Directors  
Lincoln County School District  
Lincoln County, Oregon

**Independent Auditors' 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***

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, each major fund, and the aggregate remaining fund information of Lincoln County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 9, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 the financial statements are free from material misstatement, we performed tests of 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 internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kenneth Allen, CPA  
Municipal Auditor  
**PAULY, ROGERS AND CO., P.C.**





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December 9, 2014

To the Board of Directors  
Lincoln County School District  
Lincoln County, Oregon

**Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**Report on Compliance for Each Major Federal Program**

We have audited Lincoln County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2014. The major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

**Opinion on Each Major Federal Program**

In our opinion, Lincoln County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Kenneth Allen, CPA  
Municipal Auditor

**PAULY, ROGERS AND CO., P.C.**



**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS,  
QUESTIONED COSTS, AND NOTES RELATIVE TO FEDERAL AWARDS**

**For the Year Ended June 30, 2014**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of OMB Circular A-133?  yes  no

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not considered to be material weaknesses?  yes  none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, section 510(a)?  yes  no

**IDENTIFICATION OF MAJOR PROGRAMS**

<b><u>CFDA NUMBER</u></b>	<b><u>NAME OF FEDERAL PROGRAM CLUSTER</u></b>
84.027 & 84.173	Special Education Cluster (IDEA)
84.287	21 <sup>st</sup> Century Community Learning Centers
84.367	Improving Teacher Quality State Grants

**LINCOLN COUNTY SCHOOL DISTRICT**  
**LINCOLN COUNTY, OREGON**

**SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS,  
QUESTIONED COSTS, AND NOTES RELATIVE TO FEDERAL AWARDS**

**For the Year Ended June 30, 2014**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS (CONTINUED)**

Dollar threshold used to distinguish between type A and type B programs:      \$300,000

Auditee qualified as low-risk auditee?     yes                       no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No findings were noted during the audit for 2013-2014.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:**

No findings were noted during the audit for 2013-2014.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lincoln County School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.