



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

**FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016**

Prepared by:

The Business Services Department
Julie Baldwin, Director of Business Services

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

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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, 2019
2	Liz Martin - Chair	June 30, 2019
3	Ron Beck	June 30, 2017
4	Kelley Ellis	June 30, 2017
5	Amanda Remund	June 30, 2017

All board members will receive mail at the following address:

459 SW Coast Highway
Newport, Oregon 97365

ADMINISTRATION

Steve Boynton, Superintendent
Julie Baldwin, Director of Business Services



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

December 8, 2016

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lincoln County School District (the District), as of and for the year ended June 30, 2016, 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 basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic 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 basic 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, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

The School adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ended June 30, 2016. 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 schedule of funding progress and 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 basic financial statements that collectively comprise the Lincoln County School District's basic 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

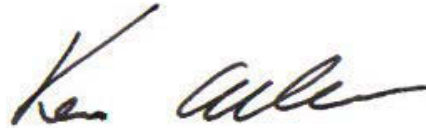
The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 expenditures of federal awards 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, has 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 it.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 8, 2016, 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 8, 2016, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink, appearing to read "Ken Allen". The signature is fluid and cursive, with a large initial "K" and "A".

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, 2016. 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, 2015 and June 30, 2016.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, the District's assets exceeded its liabilities by \$29,249,529
- The District has \$98,957,173 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 Assets 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 "modified accrual" accounting method 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 Assets 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.

The District maintains one proprietary fund type. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses the internal service fund for the District's self-insured medical and dental benefit plans. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets, liabilities and net position were as follows:

	2016	2015	Difference	%
Assets				
Current and other assets	\$ 23,957,372	\$ 22,431,617	\$ 1,525,755	6.8%
Capital assets (net)	98,957,173	99,261,152	\$ (303,979)	-0.3%
Total assets	<u>122,914,545</u>	<u>121,692,769</u>	<u>1,221,776</u>	<u>1.0%</u>
Liabilities				
Other liabilities	8,686,254	9,371,687	\$ (685,433)	-7.3%
Long-term liabilities	84,978,762	89,905,438	\$ (4,926,676)	-5.5%
Total liabilities	<u>93,665,016</u>	<u>102,702,020</u>	<u>(9,037,004)</u>	<u>-8.8%</u>
Net Assets				
Investment in capital assets, net of related debt	44,116,898	43,778,589	\$ 338,309	0.8%
Restricted For:				
Capital Projects	736,129	387,563	\$ 348,566	100.0%
Grant Programs	704,767	892,631	\$ (187,864)	-21.0%
Food Service	274,052	222,122	\$ 51,930	23.4%
Insurance Claims	-	684,958	\$ (684,958)	-100.0%
Student Body	830,655	778,539	\$ 52,116	6.7%
Debt Service	5,313,229	4,830,689	\$ 482,540	10.0%
Net assets: unrestricted	<u>(22,726,201)</u>	<u>(29,159,447)</u>	<u>\$ 6,433,246</u>	<u>-22.1%</u>
Total net position	<u>29,249,529</u>	<u>22,415,644</u>	<u>6,833,885</u>	<u>30.5%</u>

The district has \$23,957,372 in current assets. The increase from the prior year is primarily due to the increase in cash reserves in the general fund. Capital assets, net of depreciation, decreased \$303,979 due to current year depreciation. 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. As current year debt service payments on the bonds increase the long-term liabilities decrease.

The District's revenues and expenses for fiscal year 2014-2015 and 2015-2016, were as follows:

	<u>2016</u>	<u>2015</u>	<u>Difference</u>	<u>%</u>
Revenues				
Charges for Services	\$ 1,650,483	\$ 600,535	\$ 1,049,948	174.8%
Operating Grants	9,227,360	8,513,567	\$ 713,793	8.4%
General Revenues				
Property Taxes	37,530,024	37,429,314	\$ 100,710	0.3%
State Revenue Sharing	16,533,432	14,074,337	\$ 2,459,095	17.5%
Miscellaneous	3,687,846	4,599,091	\$ (911,245)	-19.8%
Total Revenues	<u>68,629,145</u>	<u>65,216,844</u>	<u>3,412,301</u>	<u>5.2%</u>
Expenses				
Instruction	32,599,418	30,568,080	2,031,338	6.6%
Support Services	21,520,535	21,179,283	341,252	1.6%
Community Services	2,662,266	2,122,280	539,986	25.4%
Interest on Long-Term Debt	5,013,041	4,899,259	113,782	2.3%
Total Expenses	<u>61,795,260</u>	<u>58,768,902</u>	<u>3,026,358</u>	<u>5.1%</u>
Change in Net Position	6,833,885	6,447,942	385,943	6.0%
Beginning Net Position	<u>22,415,644</u>	<u>15,967,702</u>	<u>6,447,942</u>	<u>40.4%</u>
Ending Net Position	<u>\$ 29,249,529</u>	<u>\$ 22,415,644</u>	<u>\$ 6,833,885</u>	<u>30.5%</u>

Approximately 61% of the costs of the District's activities are paid by property taxes. Approximately 24% of the revenue comes from the State of Oregon. 3% of the costs of the District are paid for by charges for services. Roughly 15% of the District's activities are paid with operating grants.

The District Net Position increased by \$6,833,885 in the current fiscal year as a result of the slight increase in assets and larger decrease in liabilities.

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, 2016, total fund balance of the governmental funds was \$16,595,045.

Summary of ending fund balances for the major governmental funds for 2015 and 2016 are as follows:

	ENDING FUND BALANCE		
	2016	2015	Change
General Fund	\$ 7,386,349	\$ 5,050,302	\$ 2,336,047
Special Revenue Funds	3,159,338	3,655,261	(495,923)
Debt Service Fund	5,313,229	4,830,689	482,540
Capital Construction Fund	736,129	387,563	348,566
Total	<u>\$ 16,595,045</u>	<u>\$ 13,923,815</u>	<u>\$ 2,671,230</u>

The General Fund's ending fund balance increased by \$2,336,047. This change is a result of the unanticipated \$1,689,584 in SSF revenue in May 2016, and the District's intent to not fully spend the budget in order to raise reserves for the uncertainty of funding in the 2017-19 biennium. Special Revenue Funds ending balances decreased slightly due to resources being expended in the Building Maintenance and ODE Facilities Grant Funds. The Debt Service Fund balance has increased as a result of continuing to build a reserve balance for the PERS Debt Service fund to offset future year expenditure increases. Capital Construction Fund balances increased because current year revenue exceeded capital improvements expenditures.

In prior years the Self Insurance Fund balance was reported in this section. This fund is now reported as a Proprietary Fund and therefore isn't included above with the Governmental Funds.

Self Insurance Fund	\$ 684,958	\$ 847,458	\$ 162,500
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In 2015-16 the District added a Group HRA medical plan in addition to the existing Dental/Vision Self Insured Plans. The purpose of the Group HRA is to provide reimbursement to staff for medical deductible and out of pocket expenses that are equivalent to MODA Plan C, a \$500 deductible plan with higher medical expense benefits. The Group HRA is funded by the difference in premium between MODA Plan G and the District's medical benefit cap. Staff made no out-of-pocket premium contributions to participate in the Group HRA. The increase in the ending fund balance of the Self Insurance funds is primarily due to the Group HRA.

CAPITAL ASSETS

At June 30, 2016 the District had \$98,957,173 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, 2016 the District had \$89,595,624 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 2015-16 PERS

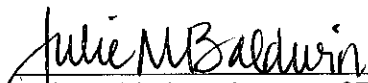
rate was reduced from 26.69% to .59%. The District repays the bonds from the same money that it would have paid to PERS by charging 21.25% to salary expenditures and transferring to the PERS debt service fund. The 2011 General Obligation Bonds have been reduced by \$3,370,000 from the previous year, with an outstanding value of \$51,725,000.

THE 2016-2017 BUDGET

The budget for 2016-17 has total appropriations of \$93,375,947, compared to the 2015-2016 budget of \$89,000,289, a net increase of \$4,375,658. The General Fund budget increased \$3,873,706. \$3,260,550 of this is budgeted as additional unappropriated ending fund balance as reserves to help offset uncertain State School Funding in the 2017-19 state biennium and the remaining increase is due to increased revenues in the 2016-17 State School Fund. The remaining over-all budget increase is in the Debt Service Funds and reflects the annual increases in both the PERS and GO Bond payments.

REQUESTS FOR INFORMATION

Our financial report is designed to provide our taxpayers, parents, staff, 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, Director of Business Services
Lincoln County School District

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	\$ 16,694,877
Receivables	7,198,472
Due From Fiduciary Fund	64,023
Capital assets, net of depreciation	<u>98,957,173</u>
 Total Assets	 <u>122,914,545</u>
 LIABILITIES	
Accounts payable	1,479,845
Payroll liabilities	1,386,709
Estimated Claims Liability	29,700
Unearned revenue	537,335
Noncurrent liabilities:	
Due within one year	5,252,665
Due in more than one year	<u>84,978,762</u>
 Total Liabilities	 <u>93,665,016</u>
 NET POSITION:	
Net Investment in Capital Assets	44,116,898
Restricted For:	
Capital Projects	736,129
Grant Programs	704,767
Food Service	274,052
Student Body	830,655
Debt Service	5,313,229
Unrestricted	<u>(22,726,201)</u>
 Total Net Position	 <u>\$ 29,249,529</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, 2016**

FUNCTIONS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 32,599,418	\$ 1,305,554	\$ 5,095,674	\$ (26,198,190)
Support Services	21,520,535	222,641	1,778,745	(19,519,149)
Community Services	2,662,266	122,288	2,352,941	(187,037)
Interest on Long-Term Debt	5,013,041	-	-	(5,013,041)
Total Primary Government	\$ 61,795,260	\$ 1,650,483	\$ 9,227,360	(50,917,417)
General Revenues				
Property Taxes				37,530,024
State Revenue Sharing				16,533,432
Grants/Contributions Not Restricted to Specific Programs				
State, Intermediate and Local Sources				26,835
Federal Sources				356,132
Federal Bond Subsidy				668,008
Interest and Investment Earnings				179,131
Miscellaneous				2,457,740
Total General Revenues				57,751,302
Changes in Net Position				6,833,885
Net Position - Beginning				22,415,644
Net Position - Ending				\$ 29,249,529

The accompanying notes are an integral part of this statement.

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

**BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016**

	GENERAL FUND	SPECIAL FUNDS	DEBT SERVICE FUND
ASSETS:			
Cash and investments	\$ 6,972,833	\$ 3,164,218	\$ 4,904,935
Receivables:			
Taxes	2,823,140	-	447,262
Accounts	795,221	329,249	47,413
Grants	-	2,378,590	-
Miscellaneous	-	5,000	333,982
Due from other funds	1,940,534	-	-
Total Assets	\$ 12,531,728	\$ 5,877,057	\$ 5,733,592
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE:			
Liabilities:			
Due to Other Funds	\$ -	\$ 1,876,511	\$ -
Accounts Payable	639,196	762,430	-
Payroll Liabilities	1,385,566	1,143	-
Unearned Revenue	464,700	72,635	-
Total Liabilities	2,489,462	2,712,719	-
Deferred Inflows:			
Unavailable revenue:			
Property Taxes	2,655,917	-	420,363
Other	-	5,000	-
Total Deferred Inflows	2,655,917	5,000	420,363
Fund Balances:			
Restricted For:			
Capital Projects	-	-	-
Grant Programs	-	704,767	-
Food Service	-	274,052	-
Student Body	-	830,655	-
Debt Service	-	-	5,313,229
Committed For:			
Building Maintenance	-	755,638	-
Technology Services	-	542,298	-
Vehicle Replacement	-	51,928	-
Unassigned	7,386,349	-	-
Total Fund Balances	7,386,349	3,159,338	5,313,229
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 12,531,728	\$ 5,877,057	\$ 5,733,592

The accompanying notes are an integral part of this statement.

CAPITAL CONSTRUCTION FUND	TOTALS
\$ 778,992	\$ 15,820,978
-	3,270,402
33,950	1,205,833
-	2,378,590
-	338,982
-	1,940,534
<u>\$ 812,942</u>	<u>\$ 24,955,319</u>
\$ -	\$ 1,876,511
76,813	1,478,439
-	1,386,709
-	537,335
<u>76,813</u>	<u>5,278,994</u>
-	3,076,280
-	5,000
<u>-</u>	<u>3,081,280</u>
736,129	736,129
-	704,767
-	274,052
-	830,655
-	5,313,229
-	755,638
-	542,298
-	51,928
-	7,386,349
<u>736,129</u>	<u>16,595,045</u>
<u>\$ 812,942</u>	<u>\$ 24,955,319</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, 2016**

	GENERAL FUND	SPECIAL FUNDS	DEBT SERVICE FUND
REVENUES:			
Taxes	\$ 32,396,123	\$ 26,004	\$ 5,051,153
Federal grants	356,132	6,799,803	-
State and local sources	17,693,689	2,364,711	-
Intermediate Sources	466,780	-	-
Charges for services	260,657	65,991	4,612,484
Earnings from investments	115,472	12,875	37,855
Miscellaneous	392,433	2,044,244	-
Total Revenues	<u>51,681,286</u>	<u>11,313,628</u>	<u>9,701,492</u>
EXPENDITURES:			
Current:			
Instruction	29,743,333	3,727,988	-
Support Services	19,417,335	3,470,159	-
Community Services	-	2,761,423	-
Facilities Acquisition and Construction	-	266,709	-
Capital Outlay	184,571	1,594,855	-
Debt Service:			
Other General Professional Services	-	-	1,600
Principal	-	-	4,562,390
Interest	-	-	4,654,962
Total Expenditures	<u>49,345,239</u>	<u>11,821,134</u>	<u>9,218,952</u>
Revenues over (under) expenditures	2,336,047	(507,506)	482,540
Other Financing Sources, (Uses):			
Sale of Capital Assets	-	11,583	-
Total other financing sources (uses)	<u>-</u>	<u>11,583</u>	<u>-</u>
Net Change in Fund Balance	2,336,047	(495,923)	482,540
Fund balance, July 1, 2015	<u>5,050,302</u>	<u>3,655,261</u>	<u>4,830,689</u>
Fund balance, June 30, 2016	<u>\$ 7,386,349</u>	<u>\$ 3,159,338</u>	<u>\$ 5,313,229</u>

The accompanying notes are an integral part of this statement.

CAPITAL CONSTRUCTION FUND		TOTALS
\$ 467,068	\$ 37,940,348	
-	7,155,935	
-	20,058,400	
-	466,780	
-	4,939,132	
3,790	169,992	
-	2,436,677	
<u>470,858</u>	<u>73,167,264</u>	
-	33,471,321	
-	22,887,494	
-	2,761,423	
14,490	281,199	
107,802	1,887,228	
-	1,600	
-	4,562,390	
-	4,654,962	
<u>122,292</u>	<u>70,507,617</u>	
348,566	2,659,647	
-	11,583	
-	11,583	
348,566	2,671,230	
<u>387,563</u>	<u>13,923,815</u>	
<u>\$ 736,129</u>	<u>\$ 16,595,045</u>	

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds	\$	16,595,045
<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		98,957,173
<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	\$	(105,231)
OPEB Liability		(530,572)
General obligation bonds payable (Net of unamortized premium and discount)		<u>(89,595,624)</u>
		(90,231,427)
The Net Position of the Internal Service Fund is included in the Government-Wide balance sheet		847,458
Unavailable revenue related to property taxes and other assets		<u>3,081,280</u>
Net Position	\$	<u><u>29,249,529</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, 2016

Total Net Changes in Fund Balances - Governmental Funds	\$ 2,671,230
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.	4,709,458
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	2,163,927
Depreciation Expense	(2,467,906)
When capital assets are sold a gain or loss is recognized in the government-wide statements. This is the amount that the gain/loss differs from sale of assets revenue in the governmental funds.	5,000
Internal Service Fund Net Income flows to the Statement of Activities	162,500
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.	<u>(410,324)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 6,833,885</u></u>

The accompanying notes are an integral part of this statement.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

STATEMENT OF PROPRIETARY NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2016

	<u>SELF INSURANCE</u> <u>FUND</u>
ASSETS:	
Current assets	
Cash and Investments	\$ 873,899
Accounts Receivable	4,665
	<hr/>
Total current assets	878,564
	<hr/>
Total assets	<u>\$ 878,564</u>
LIABILITIES AND NET POSITION:	
LIABILITIES:	
Current Liabilities	
Estimated Claims Liability	\$ 29,700
Accounts Payable	1,406
	<hr/>
Total Current Liabilities	31,106
	<hr/>
Total Liabilities	<u>31,106</u>
NET POSITION	
Unrestricted	<u>847,458</u>
	<hr/>
Total Net Position	847,458
	<hr/>
Total Liabilities and Net Position	<u>\$ 878,564</u>

The accompanying notes are an integral part of this statement

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN PROPRIETARY NET POSITION
INTERNAL SERVICE FUND
For the Year Ended June 30, 2016

	<u>SELF INSURANCE FUND</u>
OPERATING REVENUES:	
Services Provided to Other Funds	\$ 888,374
Miscellaneous	<u>60,723</u>
Total Operating Revenues	<u>949,097</u>
OPERATING EXPENSES:	
Purchased Services	<u>795,736</u>
Total Operating Expenses	<u>795,736</u>
Income From Operations	153,361
OTHER FINANCING SOURCES, (USES)	
Earnings from Investments	<u>9,139</u>
Total Other Financing Sources, (Uses)	<u>9,139</u>
Change in Net Position	162,500
Net Position, July 1, 2015	<u>684,958</u>
Net Position, June 30, 2016	<u><u>\$ 847,458</u></u>

The accompanying notes are an integral part of this statement.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
For the Year Ended June 30, 2016

	<u>SELF INSURANCE</u> <u>FUND</u>
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 949,712
Cash Paid to Vendors	(764,630)
Net cash provided (used) by operating activities	<u>185,082</u>
Cash Flows From Investing Activities	
Interest Received	9,139
Net increase (decrease) in cash and investments	194,221
Cash and investments, beginning of year	<u>679,678</u>
Cash and investments, end of year	<u>\$ 873,899</u>
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities	
Change in Net Position	\$ 162,500
Adjustments for:	
Interest Income	(9,139)
(Increase) Decrease in Receivables	615
Increase (Decrease) in Payables	1,406
Increase (Decrease) in Estimated Claims	<u>29,700</u>
Net Cash Provided by Operating Activities	<u>\$ 185,082</u>

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, 2016

	<u>COMMUNITY SERVICES FUND</u>
ASSETS:	
Cash	\$ 203,279
Accounts Receivable	<u>20,831</u>
Total Assets	<u>\$ 224,110</u>
LIABILITIES	
Accounts Payable	\$ 159,739
Due To Other Funds	64,023
Unearned Revenue	<u>348</u>
Total Liabilities	<u>\$ 224,110</u>

The accompanying notes are an integral part of this statement.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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.

PROPRIETARY FUND TYPE

Proprietary funds are used to account for a government's business-type activities. There are two types of proprietary funds – enterprise funds and internal service funds. Both fund types use the same generally accepted accounting principles (GAAP) as similar to businesses in the private sector. Both enterprise and internal service funds recover the full cost of providing services (including capital costs) through fees and charges on those who use their services. The adopted budget is based on the modified accrual basis. The management of these funds, however, is based on the “bottom line” and whether the expenses are supported by revenue. The District uses “net unrestricted assets” to evaluate these funds. This method is similar to working capital and is the result of all transactions that affect unrestricted assets and liabilities. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are internal health insurance charges. Operating expenses for internal service funds include the cost of sales and services, and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District reports the following proprietary fund:

SELF INSURANCE FUND

The Self Insurance Fund is an internal service fund that accounts for insurance claims made by employees for various medical costs. The principal resources are internal charges.

FIDUCIARY FUND TYPE

Fiduciary funds are used to account for monies held by the District on behalf of other parties. The fiduciary fund's balance sheet is reported separately in the District's financial statements and is not included in the government-wide statements.

The District reports the following fiduciary fund:

COMMUNITY SERVICES FUND

Assets and liabilities of the community services fund are used to support community service programs.

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.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, except for Community Services in the Special Funds which were overspent by \$224,361.

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.

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)

RETIREMENT PLANS

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

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 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.

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.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE

GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, is followed. 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.
- 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:

Net Investment in Capital Assets – 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.

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

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

FAIR VALUE, INPUTS, METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund’s own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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.

Cash and cash equivalents

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and 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 appears to be in compliance with all portfolio guidelines at June 30, 2016. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2016, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

Cash and Investments at June 30, 2016, (recorded at fair value) consisted of:

Deposits With Financial Institutions:	2016
Petty Cash	\$ 650
Demand Deposits:	
Checking	1,186,821
CD's	18,936
Money Market	8,317,177
Investments	<u>7,374,572</u>
	<u>\$ 16,898,156</u>

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. CASH AND INVESTMENTS (CONTINUED)

Investment Type	Fair Value	Investment Maturities (in months)	
		Less than 3	More than 3
State Treasurer's Investment Pool	\$ 7,374,572	\$ 7,374,572	\$ -
Total	\$ 7,374,572	\$ 7,374,572	\$ -

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-Investment

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 \$9,522,934 and the bank balance was \$10,615,656. Of these deposits, \$250,000 was covered by federal depository insurance. The remainder is collateralized by the Oregon Public Funds Collateralization Program (PFCP).

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.

5. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2016 are as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Land*	\$ 6,298,197	\$ -	\$ -	\$ 6,298,197
Land Improvements	7,839,219	118,979	-	7,958,198
Buildings & Improvements	114,692,312	1,555,930	-	116,248,242
Equipment	4,287,631	489,018	(41,516)	4,735,133
Total Capital Assets	<u>133,117,359</u>	<u>2,163,927</u>	<u>(41,516)</u>	<u>135,239,770</u>
Accumulated Depreciation:				
Land Improvements	269,992	79,008	-	349,000
Buildings & Improvements	30,892,886	2,048,372	-	32,941,258
Equipment	2,693,329	340,526	(41,516)	2,992,339
Total Accumulated Depreciation	<u>33,856,207</u>	<u>\$ 2,467,906</u>	<u>\$ (41,516)</u>	<u>36,282,597</u>
Total Net Capital Assets	<u>\$ 99,261,152</u>			<u>\$ 98,957,173</u>

* Non Depreciable Asset

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS (CONTINUED)

Depreciation was allocated to the functions as follows:

Instruction	\$ 1,850,930
Support Services	493,581
Community Services	<u>123,395</u>
Total	<u>\$ 2,467,906</u>

6. DEFINED BENEFIT PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
 - i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
 - ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
 - member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
 - iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

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

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

iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2016 were \$115,313, excluding amounts to fund employer specific liabilities.

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

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Asset or Liability - The District does not report a net pension asset or liability (or deferred inflows or outflows) because the PERS actuaries determined that it does not share any proportionate share (or “percentage”) of the statewide obligation. This percentage was determined by calculating the factors that would affect entities future contributions. As of December 31, 2013 (the date at which the proportionate share was calculated), the District had a side account adjustment of \$72,694,614, which drove the District’s future rates to 0%. The substantial side account was created by previously issued pension bonds.

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016. Oregon PERS produces an independently audited CAFR which can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx.

Actuarial Valuations – The employer contribution rates effective July 1, 2015 through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation date	December 31, 2013 rolled forward to June 30, 2015
Experience Study Report	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increase	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service. For COLA, a blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by Employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the Moro Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which will be effective January 1, 2016 and will be included in the next update.

A deferred compensation plan is available to 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. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the District.

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. 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 OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS

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

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP. The District makes this contribution on behalf of its employees.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700.

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.

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:

	2016	2015	2014
Annual required contribution	\$ 1,029,566	\$ 994,748	\$ 1,574,394
Interest on net pension obligation	14,138	14,903	14,564
Adjustment to annual required contribution	(57,699)	(85,875)	(60,083)
Annual pension cost	986,005	923,776	1,528,875
Contributions made	(808,891)	(942,909)	(1,520,375)
Increase in net pension obligation	177,114	(19,133)	8,500
NPO (Asset) at beginning of year	353,458	372,591	364,091
NPO (Asset) at end of year	\$ 530,572	\$ 353,458	\$ 372,591

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

NOTES TO BASIC FINANCIAL STATEMENTS

7. POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 986,005	82.0%	\$ 530,572
2015	\$ 923,776	102.1%	\$ 353,458
2014	\$ 1,528,875	110.2%	\$ 372,591
2013	\$ 1,443,514	110.2%	\$ 364,091

Actuarial Methods and Assumptions – The annual required contribution (ARC) for the current year was determined as part of the July 1, 2014 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 3 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) 2014-2015 annual medical/pharmacy claims costs for an age 64 retiree or spouse are assumed to be \$9,660. No implicit subsidy is assumed for dental and vision benefits.

Funding Status and Funding Progress – As of July 1, 2014, the plan was 0% funded. The actuarial accrued liability for benefits was \$5,073,019, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,073,019. The covered payroll (annual payroll of active employees covered by the plan) was \$21,552,198.

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.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM OBLIGATIONS (CONTINUED)

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, 2015</u>	<u>Issued</u>	<u>Matured & Redeemed</u>	<u>Outstanding June 30, 2016</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	<u>55,095,000</u>	-	<u>3,370,000</u>	<u>51,725,000</u>
			82,815,000	-	3,370,000	79,445,000
Unamortized Premium/ (Discount)			<u>11,654,542</u>	-	<u>1,503,918</u>	<u>10,150,624</u>
	Total Bonds Payable		<u>\$ 94,469,542</u>	<u>\$ -</u>	<u>\$ 4,873,918</u>	<u>\$ 89,595,624</u>

Future maturities of bond principal are as follows:

<u>Fiscal Year Ending June 30</u>	<u>2002 PERS Bonds</u>		<u>2003 PERS Bonds</u>		<u>2011 GO Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	-	2,155,962	-	2,897,922	4,495,000	1,901,324
2021	-	865,962	-	3,037,922	4,875,000	1,681,026
2021-2026	10,165,000	2,951,829	8,645,000	8,334,170	30,675,000	4,980,200
2026-2028	<u>4,090,000</u>	<u>409,621</u>	<u>4,820,000</u>	<u>273,776</u>	-	-
Total	<u>\$ 14,255,000</u>	<u>\$ 12,256,261</u>	<u>\$ 13,465,000</u>	<u>\$ 22,447,558</u>	<u>\$ 51,725,000</u>	<u>\$ 15,168,326</u>

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM OBLIGATIONS (CONTINUED)

Total long-term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 82,815,000	\$ -	\$ 3,370,000	\$ 79,445,000	\$ 3,635,000
Bond Premium	11,894,592	-	1,525,740	10,368,852	1,534,256
Bond Discount	(240,050)	-	(21,822)	(218,228)	(21,822)
OPEB Liability	353,458	177,114	-	530,572	-
Compensated Absences Payable	117,885	-	12,654	105,231	105,231
Totals	<u>\$ 94,940,885</u>	<u>\$ 177,114</u>	<u>\$ 4,886,572</u>	<u>\$ 90,231,427</u>	<u>\$ 5,252,665</u>

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.

10. INTERFUND ACTIVITY

The composition of interfund balances as of June 30, 2016, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,940,534	\$ -
Special Funds	-	1,876,511
Community Services Fund (Fiduciary)	-	64,023
	<u>\$ 1,940,534</u>	<u>\$ 1,940,534</u>

Interfund balances are used to fund operations between funds. There were no transfers in 2015-2016.

11. 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.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. PROPERTY TAX LIMITATIONS (CONTINUED)

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.

12. RISK MANAGEMENT

The District is self-insured for medical, dental, 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 the current fiscal year. Settled claims have not exceeded this commercial coverage for any of the past three years.

13. 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 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, 2016 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

SCHEDULE OF FUNDING PROGRESS
For the Year Ended June 30, 2016

MEDICAL BENEFIT - ACCOUNTING UNDER GASB 45

<u>Valuation</u> <u>Date</u>	<u>Assets</u>	<u>Actuarial Accrued</u> <u>Liability</u>	<u>Unfunded Actuarial</u> <u>Accrued Liability</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered Payroll</u>	<u>UAAL ÷</u> <u>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%
7/1/2014	\$ -	\$ 5,073,019	\$ 5,073,019	0.0%	\$ 21,552,198	23.5%

**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, 2016**

	<u>GENERAL FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Revenue From Local Sources:				
Ad Valorem Taxes Levied by District	\$ 31,718,750	\$ 31,718,750	\$ 32,483,163	\$ 764,413
Revenue from Other Local Governments	10,000	10,000	42,566	32,566
Earnings from Investments	65,000	65,000	115,472	50,472
Rentals	35,000	35,000	38,016	3,016
Contributions and Donations From Private Sources	-	-	6,612	6,612
Services Provided Other Local Education Agencies	174,300	174,300	222,641	48,341
Recovery of Prior Years' Expenditures	15,000	15,000	35,089	20,089
Fees Charged to Grants	350,000	350,000	269,818	(80,182)
Miscellaneous	499,733	499,733	392,433	(107,300)
Total Local Revenue	<u>32,867,783</u>	<u>32,867,783</u>	<u>33,605,810</u>	<u>738,027</u>
Revenue From Intermediate Sources:				
County School Fund	125,000	125,000	317,266	192,266
Restricted Revenue	150,000	150,000	149,514	(486)
Total Intermediate Revenue	<u>275,000</u>	<u>275,000</u>	<u>466,780</u>	<u>191,780</u>
Revenue From State Sources:				
State School Fund- General Support	17,118,228	17,118,228	15,963,635	(1,154,593)
Common School Fund	500,220	500,220	569,797	69,577
State Managed County Timber	155,000	155,000	534,861	379,861
Other Grants from State	-	-	271,311	271,311
Total State Revenue	<u>17,773,448</u>	<u>17,773,448</u>	<u>17,339,604</u>	<u>(433,844)</u>
Revenue From Federal Sources:				
Federal Forest Fees	-	-	356,132	356,132
Total Federal Revenue	<u>-</u>	<u>-</u>	<u>356,132</u>	<u>356,132</u>
Total Revenues	<u>50,916,231</u>	<u>50,916,231</u>	<u>51,768,326</u>	<u>852,095</u>
EXPENDITURES:				
Instruction	32,000,121	32,000,121 (1)	29,783,249	2,216,872
Support Services	19,752,074	19,752,074 (1)	19,561,990	190,084
Facilities, Acquisition and Construction	5	5 (1)	-	5
Debt Service	32,000	32,000 (1)	-	32,000
Contingencies	750,000	750,000 (1)	-	750,000
Operating Contingency	-	-	-	-
Total Expenditures	<u>52,534,200</u>	<u>52,534,200</u>	<u>49,345,239</u>	<u>3,188,961</u>
Excess of Revenues Over, (Under)				
Expenditures	(1,617,969)	(1,617,969)	2,423,087	4,041,056
Other Financing Sources, (Uses):				
Transfers In	5	5	-	(5)
Transfers Out	(5)	(5) (1)	-	5
Total Other Financing Sources, (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,617,969)	(1,617,969)	2,423,087	4,041,056
Beginning Fund Balance	4,365,862	4,365,862	4,796,039	430,177
Ending Fund Balance	<u>\$ 2,747,893</u>	<u>\$ 2,747,893</u>	7,219,126	<u>\$ 4,471,233</u>
Adjustment to Accrue Property Tax Revenue			167,223	
Ending Fund Balance - GAAP Basis			<u>\$ 7,386,349</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, 2016

	<u>SPECIAL FUNDS</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Local Sources:				
Taxes - Prior Year Levies	\$ 75,400	\$ 75,400	\$ 26,004	\$ (49,396)
Earnings on Investments	8,025	8,025	12,875	4,850
School Sponsored Activities	1,165,000	1,165,000	1,227,755	62,755
Food Service Sales	271,500	271,500	65,991	(205,509)
Private Contributions	132,477	132,477	204,389	71,912
Recovery of Prior Year Expenditures		-	4,356	4,356
Miscellaneous	1,044,536	1,044,536	812,133	(232,403)
State Sources:				
Basic School Support	103,000	103,000	93,279	(9,721)
Restricted Grants-In-Aid	3,584,342	3,584,342	2,067,043	(1,517,299)
Federal Sources:				
Restricted Grants-In-Aid	7,162,264	7,162,264	6,799,803	(362,461)
Total Revenues	<u>13,546,544</u>	<u>13,546,544</u>	<u>11,313,628</u>	<u>(2,232,916)</u>
EXPENDITURES:				
Instruction	5,393,456	5,393,456 (1)	3,994,692	1,398,764
Support Services	6,576,004	6,576,004 (1)	3,546,673	3,029,331
Community Services	2,543,797	2,543,797 (1)	2,768,158	(224,361)
Facilities Acquisition and Construction	1,608,092	1,608,092 (1)	1,511,611	96,481
Total Expenditures	<u>16,121,349</u>	<u>16,121,349</u>	<u>11,821,134</u>	<u>4,300,215</u>
Excess of Revenues Over, (Under) Expenditures	(2,574,805)	(2,574,805)	(507,506)	2,067,299
Other Financing Sources, (Uses):				
Sale of Capital Assets	350,000	350,000	11,583	(338,417)
Transfers In	5	5	-	(5)
Transfers Out	(5)	(5) (1)	-	5
Total Other Financing Sources, (Uses)	<u>350,000</u>	<u>350,000</u>	<u>11,583</u>	<u>(338,417)</u>
Net Change in Fund Balance	<u>(2,224,805)</u>	<u>(2,224,805)</u>	<u>(495,923)</u>	<u>1,728,882</u>
Beginning Fund Balance	<u>3,367,805</u>	<u>3,367,805</u>	<u>3,655,261</u>	<u>287,456</u>
Ending Fund Balance	<u>\$ 1,143,000</u>	<u>\$ 1,143,000</u>	<u>\$ 3,159,338</u>	<u>\$ 2,016,338</u>

(1) Appropriation Level

SUPPLEMENTARY INFORMATION

LINCOLN COUNTY, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
<u>SELF INSURANCE FUND</u>				
REVENUES:				
From Local Sources:				
Earnings on Investments	\$ 3,000	\$ 3,000	\$ 9,139	\$ 6,139
Services Charged Other Funds	1,045,000	1,045,000	888,374	(156,626)
Miscellaneous	80,000	80,000	60,723	(19,277)
Total Local Revenue	<u>1,128,000</u>	<u>1,128,000</u>	<u>958,236</u>	<u>(169,764)</u>
EXPENDITURES:				
Support Services				
Purchased Services	1,203,000	1,203,000	795,736	407,264
Total Support Services	<u>1,203,000</u>	<u>1,203,000 (1)</u>	<u>795,736</u>	<u>407,264</u>
Total Expenditures	<u>1,203,000</u>	<u>1,203,000</u>	<u>795,736</u>	<u>407,264</u>
Net Change in Fund Balance	(75,000)	(75,000)	162,500	237,500
Beginning Fund Balance	<u>575,000</u>	<u>575,000</u>	<u>684,958</u>	<u>109,958</u>
Ending Fund Balance	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 847,458</u>	<u>\$ 347,458</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, 2016

DEBT SERVICE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Revenue From Local Sources:				
Taxes - Current Year's Levy	\$ 4,888,775	\$ 4,888,775	\$ 4,875,386	\$ (13,389)
Taxes - Prior Years' Levies	250,000	250,000	188,998	(61,002)
Services Provided Other Funds	4,421,062	4,421,062	4,612,484	191,422
Interest Earnings	<u>22,000</u>	<u>22,000</u>	<u>37,855</u>	<u>15,855</u>
Total Revenues	<u>9,581,837</u>	<u>9,581,837</u>	<u>9,714,723</u>	<u>132,886</u>
EXPENDITURES:				
Debt Service:				
Other General and Professional Services	1,700	1,700	1,600	100
Principal on Bonded Indebtedness	4,562,391	4,562,391	4,562,390	1
Interest on Bonded Indebtedness	<u>4,666,271</u>	<u>4,666,271</u>	<u>4,654,962</u>	<u>11,309</u>
Total Expenditures	<u>9,230,362</u>	<u>9,230,362 (1)</u>	<u>9,218,952</u>	<u>11,410</u>
Net Change in Fund Balance	351,475	351,475	495,771	144,296
Beginning Fund Balance	<u>4,643,000</u>	<u>4,643,000</u>	<u>4,790,559</u>	<u>147,559</u>
Ending Fund Balance	<u>\$ 4,994,475</u>	<u>\$ 4,994,475</u>	5,286,330	<u>\$ 291,855</u>
Adjustment to Accrue Property Tax Revenue			<u>26,899</u>	
Ending Fund Balance - GAAP Basis			<u>\$ 5,313,229</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, 2016

CAPITAL CONSTRUCTION FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Revenue From Local Sources:				
Taxes	\$ 275,000	\$ 275,000	\$ 467,068	\$ 192,068
Earnings on Investments	1,000	1,000	3,790	2,790
Total Revenues	<u>276,000</u>	<u>276,000</u>	<u>470,858</u>	<u>194,858</u>
EXPENDITURES:				
Facilities Acquisition and Construction	<u>526,000</u>	<u>526,000</u> (1)	<u>122,292</u>	<u>403,708</u>
Total Expenditures	<u>526,000</u>	<u>526,000</u>	<u>122,292</u>	<u>403,708</u>
Net Change in Fund Balance	(250,000)	(250,000)	348,566	598,566
Beginning Fund Balance	<u>250,000</u>	<u>250,000</u>	<u>387,563</u>	<u>137,563</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 736,129</u>	<u>\$ 736,129</u>

(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, 2016

<u>GENERAL FUND</u>						
TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2015	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED June 30, 2016
Current:						
2015-16	\$ 33,019,600	\$ 832,797	\$ (50,116)	\$ 17,545	\$ 30,956,006	\$ 1,198,226
Prior Years:						
2014-15	1,211,776	(26)	(79,935)	36,856	507,081	661,642
2013-14	777,494	(11)	(146,882)	41,046	212,121	459,548
2012-13	578,845	-	(179,721)	77,010	250,793	225,341
2011-12	378,491	-	(219,237)	33,072	90,256	102,070
Prior	314,515	-	(128,681)	16,915	26,436	176,313
Total Prior	3,261,121	(37)	(754,456)	204,899	1,086,687	1,624,914
Total	<u>\$ 36,280,721</u>	<u>\$ 832,760</u>	<u>\$ (804,572)</u>	<u>\$ 222,444</u>	<u>\$ 32,042,693</u>	<u>\$ 2,823,140</u>

RECONCILIATION TO REVENUE:

Interest and Cash Collections by County Treasurers Above	\$ 32,265,137
Accrual of Receivables:	
June 30, 2016	167,223
June 30, 2015	(254,263)
Other Taxes	26,798
Lane County Tax Revenue	<u>191,228</u>
Total GAAP Revenue	<u>\$ 32,396,123</u>

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED
For the Year Ended June 30, 2016

<u>DEBT SERVICE FUND</u>						
TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2015	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED June 30, 2016
Current:						
2015-16	\$ 5,167,354	\$ 130,327	\$ (7,843)	\$ 2,746	\$ 4,844,415	\$ 187,515
Prior Years:						
2014-15	189,456	(4)	(12,497)	5,762	79,280	103,445
2013-14	126,472	(2)	(23,240)	6,719	34,724	75,229
2012-13	96,373	-	(29,922)	12,822	41,755	37,518
2011-12	57,996	-	(33,594)	5,068	13,830	15,640
Prior	49,579	-	(20,156)	2,678	4,186	27,915
Total Prior	519,876	(6)	(119,409)	33,049	173,775	259,747
Total	<u>\$ 5,687,230</u>	<u>\$ 130,321</u>	<u>\$ (127,252)</u>	<u>\$ 35,795</u>	<u>\$ 5,018,190</u>	<u>\$ 447,262</u>

RECONCILIATION TO REVENUE:

Interest and Cash Collections by County Treasurers Above	\$ 5,053,985
Accrual of Receivables:	
June 30, 2016	26,899
June 30, 2015	(40,130)
Other Taxes	7,213
Lane County Tax Revenue	<u>29,190</u>
Total GAAP Revenue	<u>\$ 5,077,157</u>
Reported In:	
Debt Service Fund	\$ 5,051,153
Special Funds	<u>26,004</u>
	<u>\$ 5,077,157</u>

INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS



PAULY, ROGERS AND CO., P.C.
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December 8, 2016

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, 2016, and have issued our report thereon dated December 8, 2016. 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 except for the following:

1. There was one instance where actual expenditures exceeded appropriations, as noted on page 18.

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.

A handwritten signature in black ink, appearing to read "Ken Allen". The signature is fluid and cursive, with a large initial "K" and "A".

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, 2016

Program Title	Pass Through Organization	Federal CFDA Number	Pass Through Entity Number	Period Covered	Expenditures	Passed Through to Subrecipients
US DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies						
Title IA	OR Department of Education	84.010	32619	7/1/14-09/30/15	\$ 333,447	
Title IA	OR Department of Education	84.010	36010	7/1/15-9/30/16	1,445,105	
Title IA	OR Department of Education	84.010	28162	7/1/13-9/30/15	29,268	
Title ID Neglected & Delinquent Children	OR Department of Education	84.010	36564	7/1/15-9/30/16	12,505	
Title IA/D Priority/Focused Improvement	OR Department of Education	84.010	32795	7/1/14-9/30/15	16,438	15,475
Title IA/D Priority/Focused Improvement	OR Department of Education	84.010	37572	7/1/15-9/30/16	25,256	23,908
Total Title I Grants to Local Education Agencies					<u>1,862,019</u>	<u>39,383</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth						
Title ID Neglected & Delinquent Children	OR Department of Education	84.013	38522	7/1/15 - 6/30/16	11,067	
English Language Acquisition State Grants						
English Language Acquisition	OR Department of Education	84.365	32338	7/1/14-09/30/16	14,914	
English Language Acquisition	OR Department of Education	84.365	36337	7/1/15 - 9/30/16	30,445	
English Language Acquisition - Immigrant	OR Department of Education	84.365	36370	7/1/15 - 9/30/16	4,022	
Total Title III - English Language Acquisition					<u>49,381</u>	
Education for Homeless Children and Youth						
	OR Department of Education	84.196	34331	7/1/14-9/30/16	33,923	
	OR Department of Education	84.196	36479	7/1/15 - 9/30/16	9,543	
Total Education for Homeless Children and Youth					<u>43,466</u>	
Supporting Effective Instruction State Grant						
Title II- A OR Educator Mentoring Program	OR Department of Education	84.367	29412	8/2/13-6/30/16	127,576	
Title II-A Teacher Quality	OR Department of Education	84.367	32943	7/1/14-9/30/15	197,503	
Title II-A Teacher Quality	OR Department of Education	84.367	36207	7/1/15 - 9/30/16	177,014	
Title II-A Teacher Quality	OR Department of Education	84.367	28679	7/1/13-9/30/15	44,459	
Total - Supporting Effective Instruction State Grant					<u>546,552</u>	
Mathematics and Science Partnerships						
Title II-B Math - Science Partnerships	Western Oregon University	84.366	TRSUB16.09	12/1/14-6/30/16	28,124	
Title II-B Math - Science Partnerships	OR Department of Education	84.366	34377	9/1/14-6/30/16	116,518	
Total Mathematics and Science Partnerships					<u>144,642</u>	
Special Education Grants to States Cluster						
IDEA Enhancement	OR Department of Education	84.027	38361	10/1/15-9/30/16	7,957	
IDEA Extended Assessment	OR Department of Education	84.027	35772	7/1/15 - 6/30/16	1,800	
SPR&I	OR Department of Education	84.027	37915	8/1/15-6/30/16	4,164	
IDEA , Part B Section 611	OR Department of Education	84.027	33308	7/1/14 - 9/30/16	148,870	
Title ID Neglected & Delinquent Children	OR Department of Education	84.027	38497	7/1/15-9/30/17	12,243	
IDEA , Part B Section 611	OR Department of Education	84.027	36895	7/1/15 - 6/30/16	725,862	
Special Education - Professional Development	OR Department of Education	84.027	40174	6/27/2016	200	
Total Special Education_Grants to States					<u>901,096</u>	
Special Education_Preschool Grants						
Special Education - Preschool Grants	OR Department of Education	84.173	33484	7/1/15-9/30/17	566	
Special Education - Preschool Grants	OR Department of Education	84.173	37200	7/1/14-9/30/16	10,121	
Total Special Education - Preschool Grants					<u>10,687</u>	
Total Special Education Cluster					<u>911,783</u>	
21st Century Community Learning Centers						
Title IV-B - After School Learning Centers	OR Department of Education	84.287	32275	7/1/14-9/30/16	254,231	
Title IV-B - After School Learning Centers	OR Department of Education	84.287	36387	7/1/15 - 9/30/17	295,366	
Total 21st Century Community Learning					<u>549,597</u>	
Indian Education Grants to Local Educational Agencies						
Total - Indian Education_Grants to Local Educational Agencies	US Department of Education	84.060A	S060A140152	7/1/15 - 6/30/16	97,185	
					<u>97,185</u>	
Rural Education						
Title VI-B Rural and Low Income Schools	OR Department of Education	84.358	33855	7/1/14-9/30/15	16,666	
Title VI-B Rural and Low Income Schools	OR Department of Education	84.358	37764	7/1/15 - 9/30/16	95,926	
Total Rural Education					<u>112,592</u>	

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

Program Title	Pass Through Organization	Federal CFDA Number	Pass Through Entity Number	Period Covered	Expenditures	Passed Through to Subrecipients
Gaining Early Awareness and Readiness for Undergraduate Programs						
GEAR UP	Oregon State University	84.334	ED159A-U	9/1/15-8/31/16	12,539	
GEAR UP	Oregon State University	84.334	ED159A-C	9/1/15-8/31/16	49,703	
GEAR UP	Oregon State University	84.334	ED159A	9/1/15-8/31/16	6,506	
Total Post-Secondary and Career/Technology Education					68,749	
Career and Technical Education -- Basic Grants to States	Mid-Willamette Ed Consortium	84.048	Unknown	9/1/15-8/31/16	640	
TOTAL US DEPARTMENT OF EDUCATION					4,397,672	39,383
US DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Child Care and Development Block Grant	OR Department of Education	93.575	10557	10/1/15-6/30/17	49,189	
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES					49,189	
US DEPARTMENT OF AGRICULTURE						
Child Nutrition Cluster						
School Breakfast Program	OR Department of Education	10.553	2112001	7/1/15-6/30/16	590,420	
National School Lunch Program	OR Department of Education	10.555	2112001	7/1/15-6/30/16	1,450,583	
National School Lunch Program Commodities (non cash)	OR Department of Education	10.555	2112001	7/1/15-6/30/16	126,361	
Summer Food Service Program for Children	OR Department of Education	10.559	2112001	10/1/15-9/30/16	16,819	
Total Child Nutrition Cluster					2,184,184	
Fresh Fruits and Vegetables Program	OR Department of Education	10.582	38601	10/1/15-6/30/16	15,013	
Fresh Fruits and Vegetables Program	OR Department of Education	10.582	39915	10/1/15-6/30/16	2,637	
Fresh Fruits and Vegetables Program	OR Department of Education	10.582	38605	10/1/15-6/30/16	5,292	
Fresh Fruits and Vegetables Program	OR Department of Education	10.582	39912	10/1/15-6/30/16	518	
Fresh Fruits and Vegetables Program	OR Department of Education	10.582	38604	10/1/15-6/30/16	15,741	
Fresh Fruits and Vegetables Program	OR Department of Education	10.582	38603	10/1/15-6/30/16	21,710	
Fresh Fruits and Vegetables Program	OR Department of Education	10.582	39913	10/1/15-6/30/16	6,151	
Fresh Fruits and Vegetables Program	OR Department of Education	10.582	38602	10/1/15-6/30/16	16,988	
Fresh Fruits and Vegetables Program	OR Department of Education	10.582	36615	7/1/15-9/30/15	1,919	
Fresh Fruits and Vegetables Program	OR Department of Education	10.582	36616	7/1/15-9/30/15	2,248	
Fresh Fruits and Vegetables Program	OR Department of Education	10.582	36617	7/1/15-9/30/15	2,169	
Fresh Fruits and Vegetables Program	OR Department of Education	10.582	36618	7/1/15-9/30/15	1,920	
Fresh Fruits and Vegetables Program	OR Department of Education	10.582	36619	7/1/15-9/30/15	905	
Total Fresh Fruits and Vegetables Program					93,212	
Child and Adult Care Food Program (non cash)	OR Department of Education	10.558	2112001	10/1/15-9/30/16	75,546	
Schools and Roads - Grants to States	Lincoln County	10.665	10432	10/1/14-09/30/15	356,132	
TOTAL US DEPARTMENT OF AGRICULTURE					2,709,074	
TOTAL GRANTS EXPENDED OR PASSED THROUGH TO SUBRECIPIENTS					\$ 7,155,936	39,383



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December 8, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 8, 2016.

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 8, 2016

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 Required by the Uniform Guidance

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 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2016. The major federal programs are identified in the summary of auditors' 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.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

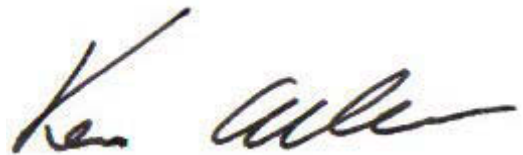
Report on Internal Control Over Compliance

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Ken Allen". The signature is fluid and cursive, with a large initial "K" and "A".

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

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

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 515(d)(2) of the Uniform Guidance? 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 section 200.516(a) of the Uniform Guidance? yes no

IDENTIFICATION OF MAJOR PROGRAMS

CFDA NUMBER NAME OF FEDERAL PROGRAM CLUSTER

84.010 Title I Grants to Local Education Agencies

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

No findings were noted during the audit for 2015-2016.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

No findings were noted during the audit for 2015-2016.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes federal grant activity under programs of the federal government. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the net position, changes in net position, or cash flows of the entity.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The entity has not elected to use the ten percent de minimus indirect cost rate as allowed under Uniform Guidance, due to the fact that they already have a negotiated indirect cost rate with Oregon Department of Education, and thus is not allowed to use the de minimus rate.