

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021



**12700 SW 72nd Ave.
Tigard, OR 97223**



**LINCOLN COUNTY SCHOOL DISTRICT
1212 NE FOGARTY STREET
NEWPORT, OREGON 97365**

**FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2021**

Prepared by:

The Business Services Department
Kim Cusick, Business Services Director

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	Megan Cawley – Chair	June 30, 2023
2	Liz Martin - Vice Chair	June 30, 2023
3	Ron Beck	June 30, 2021
4	Jenny Demaris	June 30, 2021
5	Amanda Remund	June 30, 2021

All board members will receive mail at the following address:

1212 NE Fogarty Street
Newport, Oregon 97365

ADMINISTRATION

Dr. Karen Gray, Superintendent
Kim Cusick, Business Services Director



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

November 3, 2021

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, 2021, 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, 2021 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.

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 Proportionate Share of the Net Pension Liability and Contributions, Schedule of Change in Net OPEB Liability and Related Ratios, 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.

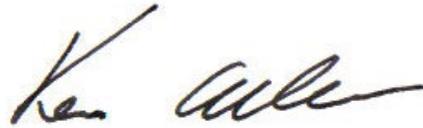
The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 November 3, 2021, 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 November 3, 2021, 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", is positioned above the printed name and title.

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, 2021. 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, 2020 and June 30, 2021.

FINANCIAL HIGHLIGHTS

- At June 30, 2021, the District’s assets exceeded its liabilities by \$36,059,289.
- The District has \$102,388,458 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 may also give you some insights into the District’s overall financial health. Fund financial statements 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 modified 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets, liabilities and net position were as follows:

	<u>2021</u>	<u>2020</u>	<u>Difference</u>	<u>%</u>
Assets				
Current and other assets	\$ 45,013,981	\$ 33,102,609	\$ 11,911,372	36.0%
Capital assets (net)	102,388,458	100,778,155	\$ 1,610,303	1.6%
Total assets	<u>147,402,439</u>	<u>133,880,764</u>	<u>13,521,675</u>	<u>10.1%</u>
Liabilities				
Current liabilities	6,242,027	4,174,250	\$ 2,067,777	49.5%
Non-current liabilities	80,387,375	71,575,022	\$ 8,812,353	12.3%
Total liabilities	<u>86,629,402</u>	<u>75,749,272</u>	<u>10,880,130</u>	<u>14.4%</u>
Net Assets				
Investment in capital assets, net of related debt	71,713,458	65,228,155	\$ 6,485,303	9.9%
Restricted For:				
Capital Projects	982,243	742,167	\$ 240,076	32.3%
Grant Programs	1,639,959	773,864	\$ 866,095	111.9%
Food Service	1,138,448	617,837	\$ 520,611	84.3%
Student Body	1,039,316	1,018,794	\$ 20,522	2.0%
Debt Service	10,694,421	8,706,792	\$ 1,987,629	22.8%
Net assets: unrestricted	<u>(19,293,638)</u>	<u>(21,576,740)</u>	<u>\$ 2,283,102</u>	<u>-10.6%</u>
Total net position	<u>\$ 67,914,207</u>	<u>\$ 55,510,869</u>	<u>\$ 12,403,338</u>	<u>22.3%</u>

The district has \$45,013,981 in current assets. The increase of \$11,911,372 from the prior year is primarily due to expenditure savings realized in all funds due to the COVID-19 pandemic which caused full or partial closures and a resulting decrease in the purchase of regular supplies, travel, utilities, substitutes, etc. in all funds. Additionally, several positions were unfilled all year due to the pandemic. The district also received federal Covid relief funding to cover expenditures required for virtual learning, PPE and other Covid related expenses, as well as additional USDA funding for expanded food service programs, further increasing cash balances as well as grants receivable.

The Internal Service Fund increased \$460,895 due to plan changes made on the recommendation of the actuary in order to maintain the viability of the funds for the future as well as decreased utilization by employees.

The district added \$3,525,156 in building and land improvements, including a seismic rehabilitation project at Taft Elementary School of \$2,461,111, a new vestibule for Newport Middle School, the remodel of several special education classrooms at Newport High School, and expansion of the Career and Technical Education classrooms at Taft and Toledo High Schools. \$496,082 was added to equipment for custodial services, food services, playgrounds, data center upgrades, band instruments, PPE (room dividers) and replacement vehicles. Current year depreciation was \$2,622,638. As a result of these activities, capital assets, net of depreciation, increased \$1,610,303.

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 the fiscal years ended June 30, 2020 and June 30, 2021, were as follows:

	2021	2020	Difference	%
Revenues				
Charges for Services	\$ 270,327	\$ 1,327,363	\$ (1,057,036)	-79.6%
Operating Grants	16,856,227	11,481,909	\$ 5,374,318	46.8%
General Revenues				
Property Taxes	46,183,761	43,677,298	\$ 2,506,463	5.7%
State Revenue Sharing	22,698,137	23,317,538	\$ (619,401)	-2.7%
Miscellaneous	6,320,985	3,867,220	\$ 2,453,765	63.5%
Total Revenues	<u>92,329,437</u>	<u>83,671,328</u>	<u>8,658,109</u>	<u>10.3%</u>
Expenses				
Instruction	42,489,303	38,627,600	3,861,703	10.0%
Support Services	30,072,699	25,938,373	4,134,326	15.9%
Community Services	3,477,987	3,498,707	(20,720)	-0.6%
Interest on Long-Term Debt	3,886,110	5,366,867	(1,480,757)	-27.6%
Total Expenses	<u>79,926,099</u>	<u>73,431,547</u>	<u>6,494,552</u>	<u>8.8%</u>
Change in Net Position	12,403,338	10,239,781	2,163,557	21.1%
Beginning Net Position	55,510,869	45,271,088	10,239,781	22.6%
Ending Net Position	<u>\$ 67,914,207</u>	<u>\$ 55,510,869</u>	<u>\$ 12,403,338</u>	<u>22.3%</u>

Approximately 57.8% of the costs of the District’s activities are paid by property taxes. This percentage is approximately 1.7% less than the prior year as revenue from operating grants has increased. Approximately 28.4% of revenue comes from the State of Oregon revenue sharing. This is an increase of .4% over the prior year. Roughly 21% of the District’s activities are paid with operating grants. This is an increase of 5.4%.

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, 2021, total fund balance of the governmental funds was \$33,525,945.

Summary of ending fund balances for the major governmental funds for 2020 and 2021 are as follows:

	ENDING FUND BALANCE		
	2021	2020	Change
General Fund	\$ 13,848,250	\$ 11,160,502	\$ 2,687,748
Special Revenue Funds	7,663,102	3,773,208	3,889,894
Debt Service Fund	11,032,350	8,706,792	2,325,558
Capital Construction Fund	982,243	742,167	240,076
Total	<u>\$ 33,525,945</u>	<u>\$ 24,382,669</u>	<u>\$ 9,143,276</u>

The General Fund ending fund balance increased by \$2,699,018. Board policy requires a minimum of 7% of the General Fund Budget to be retained at the fiscal year end as an ending fund balance in order to cover cash flow requirements from June through November until local tax revenues are received. As the district’s budget increases, the ending fund balance requirement increases proportionately. Additional ending fund balance was realized due to savings in expenditures related to the COVID-19 pandemic closures ordered by Oregon’s Governor Kate Brown and due to the use of federal Covid relief funds to cover pandemic related expenditures including those for distance learning and expenditures for safety during hybrid learning.

Special Revenue Fund ending balances increased due to savings from the pandemic closures, additional USDA grant funding for food service programs and the increase in utilization of those programs. 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.

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

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Self-Insurance Fund	\$ 2,020,643	\$ 1,559,748	\$460,895

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 a \$650 deductible plan with higher medical expense benefits. The Group HRA is funded by the difference in premium between MODA’s high deductible plan and the District’s medical benefit cap. The Dental/Vision Self Insured Plan ending fund balance increased \$66,660 due in part to decreased fees. The Group HRA ending fund balance increased \$394,235 due to plan changes made on the recommendation of the actuary in order to maintain the viability of the funds for the future, for a net increase of \$460,895.

CAPITAL ASSETS

At June 30, 2021 the District had \$102,388,458 invested in a broad range of capital assets, including land, building, equipment and vehicles. See Note 5 of the District’s Financial Statements following this MD & A for further details on capital assets.

DEBT ADMINISTRATION

As of June 30, 2021, the District had \$61,544,935 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, for 2020-21 the District received a rate credit (reduction) of (41.37%) and the District's 2020-21 PERS rate was reduced from 31.97% to .06%. The District repays the bonds from the same money that it would have paid to PERS by charging 19% to salary expenditures and transferring those funds to the PERS debt service fund. The 2011 General Obligation Bonds have been reduced by \$4,875,000 from the previous year, with an outstanding value of \$30,675,000. See Note 9 of the District's Financial Statements following this MD & A for further details on long term debt.

THE 2021-22 BUDGET

The budget for 2021-22 has total appropriations of \$153,964,588, compared to the 2020-21 budget of \$127,986,957, a net increase of \$25,977,631. The General Fund budget increased \$972,372. This is less than the normally expected 2% average contract rollup to maintain current program service level because the State School Fund revenue budget was only rolled 1.1% and was not adequate to fund all positions. Expenses over that amount were moved to other funds to avoid cutting staff or school days and maintain current program service levels. The state's Student Investment Account which is permanently funded by a corporate business tax allowed \$982,647 in positions to be shifted there from the General Fund. Additionally, \$1,309,579 was budgeted in Covid relief funds in order to maintain current staffing levels and provide distance learning opportunities for students not ready to return to in-person learning. The district has an ample general fund ending balance which it will retain in order to fund these positions once the Covid relief funding has been expended and until enrollment has recovered.

The Special Revenue Funds budget increased a total of \$22,088,140. \$17,181,037 is attributable to the Elementary and Secondary School Emergency Relief grants from the American Rescue Plan and the Coronavirus Response and Relief Supplemental Appropriations Act. The balance is attributable to a \$1,788,259 increase in USDA food program grants, additional grants and donations, and a transfer of \$1,800,000 from the General Fund excess ending fund balance to special revenue funds dedicated for curriculum, technology, musical instruments and building maintenance. The Special Funds budget fluctuates from year to year as the availability of and the need for grants is ever changing.

The Self Insurance Funds budget was increased by \$720,141 in anticipation of increased revenue due to plan changes mentioned earlier. The remaining over-all budget increase is in the Debt Service Funds and the Unappropriated Ending Fund Balance for the Debt Service Funds which reflects the annual increases in both the PERS and GO Bond payments and the increase in balances held for future payments on those bonds.

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.

Kim Cusick

Kim Cusick, Business Services Director
Lincoln County School District

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2021

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 33,903,288
Receivables	9,685,038
Prepays	555,952
OPEB Asset Oregon RHIA	869,703
Capital assets, net of depreciation	102,388,458
Total Assets	147,402,439
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related deferrals - Oregon RHIA	96,718
Pension related deferrals - Implicit	271,763
Pension related deferrals - Oregon PERS	13,834,541
Total Deferred Outflows	14,203,022
LIABILITIES:	
Accounts payable	3,635,125
Payroll liabilities	1,907,220
Unearned revenue	699,682
Noncurrent liabilities:	
OPEB Liability Implicit Subsidy	3,056,944
Proportionate Share of Net Pension Liability - Oregon PERS	15,785,496
Due within one year	6,855,000
Due in more than one year	54,689,935
Total Liabilities	86,629,402
DEFERRED INFLOWS OF RESOURCES:	
Pension related deferrals - Oregon RHIA	324,512
Pension related deferrals - Implicit	1,659,247
Pension related deferrals - Oregon PERS	5,078,093
Total Deferred Inflows of Resources	7,061,852
NET POSITION:	
Net Investment in Capital Assets	71,713,458
Restricted For:	
Capital Projects	982,243
Grant Programs	1,639,959
Food Service	1,138,448
Student Body	1,039,316
Debt Service	10,694,421
Unrestricted	(19,293,638)
Total Net Position	\$ 67,914,207

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, 2021

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 42,489,303	\$ 44,072	\$ 6,571,946	\$ (35,873,285)
Support Services	30,072,699	-	5,434,398	(24,638,301)
Community Services	3,477,987	226,255	4,849,883	1,598,151
Interest on Long-Term Debt	3,886,110	-	-	(3,886,110)
Total Primary Government	<u>\$ 79,926,099</u>	<u>\$ 270,327</u>	<u>\$ 16,856,227</u>	<u>(62,799,545)</u>
General Revenues				
Property Taxes				46,183,761
State Revenue Sharing				22,698,137
Grants/Contributions Not Restricted to Specific Programs				
State, Intermediate and Local Sources				3,361,616
Federal Sources				255,238
Interest and Investment Earnings				320,161
Miscellaneous				2,383,970
Total General Revenues				<u>75,202,883</u>
Changes in Net Position				12,403,338
Net Position - Beginning				<u>55,510,869</u>
Net Position - Ending				<u>\$ 67,914,207</u>

The accompanying notes are an integral part of this statement.

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

**BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021**

	GENERAL FUND	SPECIAL FUNDS	DEBT SERVICE FUND
ASSETS:			
Cash and investments	\$ 12,039,586	\$ 8,265,034	\$ 10,617,580
Receivables:			
Taxes	2,217,283	-	316,061
Accounts	824,353	1,790	76,841
Grants	-	6,163,218	-
Miscellaneous	-	5,661	-
Due from other funds	4,757,036	-	-
Prepaid Expense	218,023	-	337,929
	<u>20,056,281</u>	<u>14,435,703</u>	<u>11,348,411</u>
Total Assets	<u>\$ 20,056,281</u>	<u>\$ 14,435,703</u>	<u>\$ 11,348,411</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES:			
Liabilities:			
Due to Other Funds	\$ -	\$ 4,757,036	\$ -
Accounts Payable	840,706	1,315,883	-
Payroll Liabilities	1,729,539	-	-
Unearned Revenue	-	699,682	-
DOE - SSFG Payable	1,420,503	-	-
	<u>3,990,748</u>	<u>6,772,601</u>	<u>-</u>
Total Liabilities	<u>3,990,748</u>	<u>6,772,601</u>	<u>-</u>
Deferred Inflows:			
Unavailable revenue:			
Property Taxes	2,217,283	-	316,061
	<u>2,217,283</u>	<u>-</u>	<u>316,061</u>
Total Deferred Inflows	<u>2,217,283</u>	<u>-</u>	<u>316,061</u>
Fund Balances:			
Non-Spendable	218,023	-	337,929
Restricted For:			
Capital Projects	-	-	-
Grant Programs	-	1,639,959	-
Food Service	-	1,138,448	-
Student Body	-	1,039,316	-
Debt Service	-	-	10,694,421
Committed For:			
Building Maintenance	-	1,868,723	-
Curriculum	-	900,000	-
Technology Services	-	964,836	-
Vehicle Replacement	-	111,820	-
Unassigned	13,630,227	-	-
	<u>13,848,250</u>	<u>7,663,102</u>	<u>11,032,350</u>
Total Fund Balances	<u>13,848,250</u>	<u>7,663,102</u>	<u>11,032,350</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 20,056,281</u>	<u>\$ 14,435,703</u>	<u>\$ 11,348,411</u>

The accompanying notes are an integral part of this statement.

CAPITAL CONSTRUCTION FUND		TOTALS
\$ 915,296	\$ 31,837,496	
-	2,533,344	
79,831	982,815	
-	6,163,218	
-	5,661	
-	4,757,036	
-	555,952	
<u>\$ 995,127</u>	<u>\$ 46,835,522</u>	
\$ -	\$ 4,757,036	
12,884	2,169,473	
-	1,729,539	
-	699,682	
-	1,420,503	
<u>12,884</u>	<u>10,776,233</u>	
-	2,533,344	
-	2,533,344	
-	555,952	
982,243	982,243	
-	1,639,959	
-	1,138,448	
-	1,039,316	
-	10,694,421	
-	1,868,723	
-	900,000	
-	964,836	
-	111,820	
-	13,630,227	
<u>982,243</u>	<u>33,525,945</u>	
<u>\$ 995,127</u>	<u>\$ 46,835,522</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, 2021**

	GENERAL FUND	SPECIAL FUNDS	DEBT SERVICE FUND
REVENUES:			
Taxes	\$ 39,440,376	\$ 10,413	\$ 6,421,072
Federal grants	255,238	10,728,735	-
State and local sources	24,100,856	7,576,162	-
Intermediate Sources	541,606	-	-
Charges for services	213,990	23,803	5,578,890
Earnings from investments	204,343	11,480	87,242
Miscellaneous	354,209	2,349,440	-
Total Revenues	65,110,618	20,700,033	12,087,204
EXPENDITURES:			
Current:			
Instruction	35,127,349	6,571,946	-
Support Services	24,689,717	5,434,398	-
Community Services	-	3,418,848	-
Facilities Acquisition and Construction	-	-	-
Other Uses	-	-	-
Capital Outlay	142,949	3,905,953	-
Operating Contingency	-	-	-
Debt Service:			
Other General Professional Services	3,000	-	-
Principal	-	-	5,621,541
Interest	-	-	4,085,521
Total Expenditures	59,963,015	19,331,145	9,707,062
Revenues over (under) expenditures	5,147,603	1,368,888	2,380,142
Other Financing Sources, (Uses):			
Transfers in	-	2,100,000	-
Transfer out	(2,100,000)	-	-
Sale of Capital Assets	11,756	421,006	-
Total other financing sources (uses)	(2,088,244)	2,521,006	-
Net Change in Fund Balance	3,059,359	3,889,894	2,380,142
Fund balance, beginning	10,788,891	3,773,208	8,652,208
Fund balance, Ending	<u>\$ 13,848,250</u>	<u>\$ 7,663,102</u>	<u>\$ 11,032,350</u>

The accompanying notes are an integral part of this statement.

CAPITAL CONSTRUCTION FUND		TOTALS	
\$	715,747	\$	46,587,608
	-		10,983,973
	-		31,677,018
	-		541,606
	-		5,816,683
	4,501		307,566
	-		2,703,649
	<u>720,248</u>		<u>98,618,103</u>
	-		41,699,295
	-		30,124,115
	-		3,418,848
	-		-
	-		-
	480,172		4,529,074
	-		-
	-		3,000
	-		5,621,541
	-		4,085,521
	<u>480,172</u>		<u>89,481,394</u>
	240,076		9,136,709
	-		2,100,000
	-		(2,100,000)
	-		432,762
	-		432,762
	240,076		9,569,471
	<u>742,167</u>		<u>23,956,474</u>
\$	<u>982,243</u>	\$	<u>33,525,945</u>

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

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2021**

Total Fund Balances - Governmental Funds \$ 33,525,945

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.

Net Capital Assets 102,388,458

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.

Long term Liabilities

Accrued Compensated Absences	\$ (177,681)	
OPEB Liability	(4,444,428)	
General obligation bonds payable (Net of unamortized premium and discount)	<u>(61,544,935)</u>	
		(66,167,044)

The Net Pension Asset (Liability), and deferred inflows and outflows related to the Net Pension Asset is the difference between the total pension liability and assets set aside to pay benefits earned to past and current employees and beneficiaries (6,387,139)

The Net Position of the Internal Service Fund is included in the Government-Wide balance sheet 2,020,643

Unavailable revenue related to property taxes and other assets 2,533,344

Net Position \$ 67,914,207

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, 2021

Total Net Changes in Fund Balances - Governmental Funds \$ 9,569,471

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 expensed in the Statement of Activities, but not in the governmental funds. \$5,815,762

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 \$4,280,655
Depreciation Expense (\$2,622,638)

Internal Service Fund Net Income flows to the Statement of Activities 460,895

The OPEB (implicit) and the changes in deferred inflows and outflows related to the Liability Asset represents the changes in the OPEB Liability from year to year \$76,649

The Pension Expense and the changes in deferred inflows and outflows related to the Net Pension Asset represents the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits. (5,199,804)

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. \$22,348

Change in Net Position of Governmental Activities \$ 12,403,338

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, 2021

	<u>SELF INSURANCE FUND</u>
ASSETS:	
Current assets	
Cash and Investments	<u>\$ 2,065,792</u>
Total current assets	<u>2,065,792</u>
Total assets	<u><u>\$ 2,065,792</u></u>
LIABILITIES AND NET POSITION:	
LIABILITIES:	
Current Liabilities	
Accounts Payable	<u>\$ 45,149</u>
Total Current Liabilities	<u>45,149</u>
Total Liabilities	<u>45,149</u>
NET POSITION	
Unrestricted	<u>2,020,643</u>
Total Net Position	<u>2,020,643</u>
Total Liabilities and Net Position	<u><u>\$ 2,065,792</u></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, 2021

	SELF INSURANCE FUND
OPERATING REVENUES:	
Services Provided to Other Funds	\$ 1,575,346
Miscellaneous	35,628
Total Operating Revenues	<u>1,610,974</u>
OPERATING EXPENSES:	
Purchased Services	<u>1,162,674</u>
Total Operating Expenses	<u>1,162,674</u>
Income From Operations	448,300
OTHER FINANCING SOURCES, (USES)	
Earnings from Investments	<u>12,595</u>
Total Other Financing Sources, (Uses)	<u>12,595</u>
Change in Net Position	460,895
Net Position, Beginning	<u>1,559,748</u>
Net Position, Ending	<u><u>\$ 2,020,643</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, 2021

	<u>SELF INSURANCE</u> <u>FUND</u>
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 1,610,974
Cash Paid to Vendors	<u>(1,162,674)</u>
Net cash provided (used) by operating activities	<u>448,300</u>
Cash Flows From Investing Activities	
Interest Received	12,595
Net increase (decrease) in cash and investments	460,895
Cash and investments, beginning of year	<u>1,604,897</u>
Cash and investments, end of year	<u><u>\$ 2,065,792</u></u>
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities	
Change in Net Position	\$ 448,300
Adjustments for:	
(Increase) Decrease in Receivables	-
Increase (Decrease) in Payables	-
Increase (Decrease) in Estimated Claims	<u>-</u>
Net Cash Provided by Operating Activities	<u><u>\$ 448,300</u></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 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 position” 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.

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 governmental 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 a supplemental budget and appropriation transfers. Expenditures of the various funds were within authorized appropriation levels for the year ended June 30, 2021.

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.
- 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.

When both restricted and unrestricted net position are available for use, restricted net position is utilized first.

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. 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, 2021. 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, 2021, the fair value of the position in the LGIP is 100.4% 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, 2021, (recorded at fair value) consisted of:

Deposits With Financial Institutions:	2021
Petty Cash	\$ 550
Demand Deposits:	
Checking	5,576,213
CD's	421,745
Investments	27,904,780
	<u>\$ 33,903,288</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	3-18	More than 18
Wells Fargo Bonds and Notes	\$ 367	\$ 367	\$ -	\$ -
Oregon Coast Investments	3,647,691	3,647,691	-	-
State Treasurer's Investment Pool	24,256,722	24,256,722	-	-
Total	\$ 27,904,780	\$ 27,904,780	\$ -	\$ -

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 \$5,576,144 and the bank balance was \$6,916,372. Of these deposits, \$500,000 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, 2021 are as follows:

	June 30, 2020	Additions	Deletions	June 30, 2021
Capital Assets Not Being Depreciated:				
Land	\$ 7,298,820	\$ -	\$ -	\$ 7,298,820
Construction in Progress	1,533,737	259,417	-	1,793,154
Total Capital Assets Not Being Depreciated	8,832,557	259,417	-	9,091,974
Capital Assets Being Depreciated:				
Land Improvements	9,202,832	72,160	-	9,274,992
Buildings	123,398,105	3,452,996	-	126,851,101
Equipment	5,703,624	496,082	(71,382)	6,128,324
Total Capital Assets	147,137,118	4,280,655	(71,382)	151,346,391
Accumulated Depreciation:				
Land Improvements	709,860	96,293	-	806,153
Buildings	41,608,115	2,271,447	-	43,879,562
Equipment	4,040,988	254,898	(23,668)	4,272,218
Total Accumulated Depreciation	46,358,963	2,622,638	(23,668)	48,957,933
Total Net Capital Assets	\$ 100,778,155			\$ 102,388,458

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	\$ 1,966,978
Support Services	524,528
Community Services	<u>131,132</u>
Total	<u>\$ 2,622,638</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:

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2020-ACFR.pdf>

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.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.
 - 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 one 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.
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LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- i. **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.
 - ii. **Benefit Changes After Retirement.** Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations due to changes in the fair value of the underlying global equity investments of that account. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.
- 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. The surviving spouse may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.
 - 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.

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, 2017 actuarial valuation, which became effective July 1, 2019. 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, 2021 were \$0, excluding amounts to fund employer specific liabilities. In addition approximately \$1,713,799 in employee contributions were paid or picked up by the District in fiscal 2021.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2021, the District reported a net pension liability of \$15,785,496 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2020 and 2019, the District's proportion was .07 percent and 0 percent, respectively. The District's rates are noted below and are low due to a large side account with Oregon PERS, the amount was \$72,382,207 according to PERS latest actuarial calculations. Pension expense for the year was \$4,964,491.

The rates in effect for the year ended June 30, 2021 were:

- (1) Tier 1/Tier 2 – 0.06%
- (2) OPSRP general services – 0%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 694,753	\$ -
Changes in assumptions	847,158	29,683
Net difference between projected and actual earnings on pension plan investments	1,856,169	-
Net changes in proportionate share	10,436,461	3,416,806
Differences between District contributions and proportionate share of contributions	-	-
	13,834,541	1,631,604
Subtotal - Amortized Deferrals (below)	13,834,541	5,078,093
District contributions subsequent to measuring date	-	-
Deferred outflow (inflow) of resources	\$ 13,834,541	\$ 5,078,093

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

Year ending June 30,	Amount
2022	\$ 2,131,867
2023	2,331,590
2024	1,673,333
2025	2,105,612
2026	514,047
Thereafter	-
Total	\$ 8,756,449

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

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 5, 2021. Oregon PERS produces an independently audited ACFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2020-ACFR.pdf>

Actuarial Valuations – The employer contribution rates effective July 1, 2019 through June 30, 2021, 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, 2018
Experience Study Report	2018, Published July 24, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increase	3.50 percent
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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 2018 Experience Study which is reviewed for the four-year period ending December 31, 2018.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	27.5%	37.5%	32.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Investments	7.5%	17.5%	15.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Risk Parity	0.0%	2.5%	2.5%
Total			100.0%

(Source: June 30, 2020 PERS ACFR; p. 102)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May, 2019 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Market Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equity	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	1.50%	4.06%
Hedge Fund - Event-driven	38.00%	5.59%
Timber	1.13%	5.61%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.13%	3.79%
<i>Assumed Inflation - Mean</i>		2.50%

(Source: June 30, 2020 PERS ACFR; p. 74)

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 7.20 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.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$ 23,440,158	\$ 15,785,496	\$ 9,366,707

Changes Subsequent to the Measurement Date

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

There are no changes subsequent to the June 30, 2020 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

Deferred Compensation Plan

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 resignation, death, disability, or retirement; unforeseeable emergency; or by requesting a de minimis distribution from inactive accounts valued less than \$5,000. 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.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits:

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

Contributions:

Employees of the District pay six (6) percent of their covered payroll. The District made \$1,713,79 contributions to member IAP accounts for the year ended June 30, 2021.

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.

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>

7. POST EMPLOYMENT HEALTH CARE BENEFITS

Post Employment Health Care Benefits

Plan Description

The District administers a single-employer defined benefit healthcare plan that covers both active and retired participants. The plan provides post-retirement healthcare benefits for eligible retirees and their dependents through the District's group health insurance plans. The District's post-retirement plan was established in accordance with Oregon Revised Statutes (ORS) 243.303 which states, in part, that for the purposes of establishing healthcare premiums, the calculated rate must be based on the cost of all plan members, including both active employees and retirees.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. POST EMPLOYMENT HEALTH CARE BENEFITS

Because claim costs are generally higher for retiree groups than for active members, the premium amount does not represent the full cost of coverage for retirees. The resulting additional cost, or implicit subsidy, is required to be valued under GASB Statement 75 related to Other Post-Employment Benefits (OPEB). Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective. The valuation date was July 1, 2020 and the measurement date was June 30, 2021.

Funding Policy

The District has not established a trust fund to finance the cost of post-employment health care benefits related to implicit rate subsidies. Premiums are paid by retirees based on the rates established for active employees. Additional costs related to an implicit subsidy are paid by the District on a pay-as-you-go basis. There is no obligation on the part of the District to fund these benefits in advance. The District considered the liability to be solely the responsibility of the District as a whole and it is allocated to the governmental statements.

Actuarial Methods and Assumptions

The District engaged an actuary to perform a valuation as of July 1, 2020 using the Entry Age Normal, level percent of salary Actuarial Cost Method. Mortality rates were based on the RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females. Demographic assumptions regarding retirement, mortality, and turnover are based on Oregon PERS valuation assumptions as of July 1, 2018. Election rate and lapse assumptions are based on experience implied by valuation data for this and other Oregon public employers.

**LINCOLN COUNTY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

7. POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Health Care Cost Trend	<p>Medical and vision:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Year</th> <th style="text-align: center; border-bottom: 1px solid black;">Pre-65 Trend</th> </tr> </thead> <tbody> <tr><td style="text-align: center;">2021</td><td style="text-align: center;">3.50%</td></tr> <tr><td style="text-align: center;">2022</td><td style="text-align: center;">4.00%</td></tr> <tr><td style="text-align: center;">2023</td><td style="text-align: center;">4.50%</td></tr> <tr><td style="text-align: center;">2024</td><td style="text-align: center;">5.00%</td></tr> <tr><td style="text-align: center;">2025</td><td style="text-align: center;">5.50%</td></tr> <tr><td style="text-align: center;">2026</td><td style="text-align: center;">6.00%</td></tr> <tr><td style="text-align: center;">2027</td><td style="text-align: center;">5.90%</td></tr> <tr><td style="text-align: center;">2028</td><td style="text-align: center;">5.80%</td></tr> <tr><td style="text-align: center;">2029</td><td style="text-align: center;">5.70%</td></tr> <tr><td style="text-align: center;">2030</td><td style="text-align: center;">5.60%</td></tr> <tr><td style="text-align: center;">2030+</td><td style="text-align: center;">5.5-4.5%</td></tr> </tbody> </table>	Year	Pre-65 Trend	2021	3.50%	2022	4.00%	2023	4.50%	2024	5.00%	2025	5.50%	2026	6.00%	2027	5.90%	2028	5.80%	2029	5.70%	2030	5.60%	2030+	5.5-4.5%
Year	Pre-65 Trend																								
2021	3.50%																								
2022	4.00%																								
2023	4.50%																								
2024	5.00%																								
2025	5.50%																								
2026	6.00%																								
2027	5.90%																								
2028	5.80%																								
2029	5.70%																								
2030	5.60%																								
2030+	5.5-4.5%																								
General Inflation	2% per year																								
Annual Pay Increases	3% per year																								
Mortality	Pub 2010 employee and retiree tables, sex distinct, projected generationally. Mortality is projected on a generational basis using the Unisex Social Security Date Scale.																								
Disability	Based on Oregon PERS assumptions. Annual rates are based on employment classification, gender, and duration from hire date.																								
Withdrawal	Based on Oregon PERS assumptions. Annual rates are based on employment classification, gender, and duration from hire date.																								
Retirement	Based on Oregon PERS assumptions. Annual rates are based on age, Tier/OPSRP, duration of service, and employment classification.																								

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

NOTES TO BASIC FINANCIAL STATEMENTS

7. POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Changes in the Net OPEB Liability

Total OPEB Liability at June 30, 2020	\$ 4,036,644
Changes for the year:	
Service cost	278,922
Interest	94,864
Changes in benefit terms	-
Differences between expected and actual experience	(792,246)
Changes of assumptions or other input	(362,447)
Benefit payments	(198,793)
Balance as of June 30, 2021	\$ 3,056,944

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Trend Rates

The following analysis presents the net OPEB liability using a discount rate of 3.5%, as well as what the City's net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower (2.5%) or one percentage point higher (4.5%) than the current rate, a similar sensitivity analysis is presented for the changes in the healthcare trend assumption:

	1% Decrease 1.25%	Current Discount Rate 2.25%	1% Increase 3.25%
Total OPEB Liability	\$ 3,309,784	\$ 3,056,944	\$ 2,821,889

	1% Decrease Healthcare	Current Trend Rate Healthcare	1% Increase Healthcare
Total OPEB Liability	\$ 2,675,053	\$ 3,056,944	\$ 3,522,373

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Benefits

The City reports information on deferred outflows and deferred inflows of resources at year end as well as a schedule of amounts of those deferred outflows of resources and deferred inflows of resources that will be recognized in other post-employment benefit expense for the following five years.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 11,293	\$ 693,215
Changes in assumptions or other input	260,470	966,032
Deferred outflow (inflow) of resources	\$ 271,763	\$ 1,659,247

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ (251,642)
2023	\$ (251,642)
2024	\$ (251,642)
2025	\$ (251,642)
2026	\$ (92,243)
Thereafter	(288,671)
Total	<u>\$ (1,387,482)</u>

8. OTHER POST-EMPLOYMENT BENEFIT PLAN (RHIA)

Plan Description:

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy:

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

Participating districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.50% of annual covered OPERF payroll and 0.43% of OPSRP payroll under a contractual requirement in effect until June 30, 2021. Consistent with GASB Statement 75, the OPERS Board of Trustees sets the employer contribution rates as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined. The basis for the employer's portion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the plan with the total actual contributions made in the fiscal year of all employers. The District's contributions to RHIA for the years ended June 30, 2019, 2020 and 2021 were \$122,917, \$30,481 and \$4,484, respectively, which equaled the required contributions each year.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFIT PLAN (RHIA)

At June 30, 2021, the District reported a net OPEB liability/(asset) of (\$869,703) for its proportionate share of the net OPEB liability/(asset). The OPEB liability/(asset) was measured as of June 30, 2020, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2018. Consistent with GASB Statement No. 75, paragraph 59(a), the District's proportion of the net OPEB liability/(asset) is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. As of the measurement date of June 30, 2020 and 2019, the District's proportion was .427 percent and .246 percent, respectively. OPEB expense for the year ended June 30, 2021 was 96,718.

Employer's proportionate share of collective system OPEB Expense/(Income)	\$ (139,883)
Net amortization of employer-specific deferred amounts from:	
- Changes in proportionate share (per paragraph 64 of GASB 75)	(102,049)
- Differences between employer contributions and employer's proportionate share of system contributions (per paragraph 65 of GASB 75)	-
Employer's Total OPEB Expense/(Income)	<u>\$ (241,932)</u>

Components of Deferred Outflows/Inflows of Resources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 88,909
Changes in assumptions	-	46,229
Net difference between projected and actual earnings on pension plan investments	96,718	-
Net changes in proportionate share	-	189,374
Differences between District contributions and proportionate share of contributions	-	-
Subtotal - Amortized Deferrals (below)	96,718	324,512
District contributions subsequent to measuring date	-	-
Deferred outflow (inflow) of resources	\$ 96,718	\$ 324,512

The amount of contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability/(asset) in the fiscal year ended June 30, 2022.

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending June 30, 2021</u>	<u>Amount</u>
2021	\$ (188,235)
2022	(105,821)
2023	35,753
2024	30,509
2025	-
Thereafter	-
Total	\$ (227,794)

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

NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFIT PLAN (RHIA)

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS Retirement Health Insurance Account Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the Year Ended June 30, 2020. That independently audited report was dated March 5, 2021 and can be found at:

https://www.oregon.gov/pers/EMP/Documents/GASB/2020/GASB_75_FYE_6.30.2020.pdf

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2018
Experience Study Report	2018, Published July 24, 2019
Actuarial cost method	Entry Age Normal
Inflation rate	2.50 percent
Investment rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increase	3.50 percent
Retiree healthcare participation	Healthy retirees: 32%; Disabled retirees: 20%
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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 2018 Experience Study which is reviewed for the four-year period ending December 31, 2018.

Discount Rate:

The discount rate used to measure the total OPEB liability as of the measurement date of June 30, 2020 was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA 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 OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFIT PLAN (RHIA)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May, 2019 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Market Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equity	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	1.50%	4.06%
Hedge Fund - Event-driven	38.00%	5.59%
Timber	1.13%	5.61%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.13%	3.79%
<i>Assumed Inflation - Mean</i>		2.50%

(Source: June 30, 2020 PERS ACFR; p. 74)

Sensitivity of the District’s proportionate share of the net OPEB liability/(asset) to changes in the discount rate – The following presents the District’s proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 7.20 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

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

NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFIT PLAN (RHIA)

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net OPEB liability (asset)	\$ (702,139)	\$ (869,703)	\$ (1,012,977)

Changes Subsequent to the Measurement Date

There are no changes subsequent to the June 30, 2020 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

9. 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.

Upon the occurrence and continuation of default on the 2002 bonds, the owners of 25% or more of the outstanding principal of the 2002 bonds, or 51% or more of the 2003 bonds then outstanding may take any actions available at law or in equity as may appear necessary or desirable to enforce or to protect any of the rights of the owners of the bonds, whether for the specific enforcement of any covenant or agreement. However, the bonds shall not be subject to acceleration.

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.

The payment of the principal and interest on these bonds when due is guaranteed by the full faith and credit of the State of Oregon under the provisions of the Oregon School Bond Guaranty Act – Oregon Revised Statutes (ORS) 328.321 and 328.356. Upon the occurrence and continuation of default on the bonds, the owners of 51% or more of the outstanding principal of the bonds then outstanding may take any actions available at law or in equity as may appear necessary or desirable to enforce or to protect any of the rights of the owners of the bonds, whether for the specific enforcement of any covenant or agreement.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. LONG-TERM OBLIGATIONS (CONTINUED)

Changes in bonds outstanding are as follows:

<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2020</u>	<u>Issued</u>	<u>Matured & Redeemed</u>	<u>Outstanding June 30, 2021</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	35,550,000	-	4,875,000	30,675,000
			63,270,000	-	4,875,000	58,395,000
Unamortized Premium/ (Discount)			4,098,887	-	948,952	3,149,935
	Total Bonds Payable		<u>\$ 67,368,887</u>	<u>\$ -</u>	<u>\$ 5,823,952</u>	<u>\$ 61,544,935</u>

Future maturities of bond principal are as follows:

<u>Fiscal Year Ending June</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>
2022	1,590,000	788,963	-	3,187,922	5,265,000	1,451,300
2023	1,795,000	701,830	-	3,337,922	5,690,000	1,190,000
2024	2,015,000	603,285	2,735,000	762,922	4,720,000	905,500
2025	2,255,000	491,452	3,055,000	609,464	-	716,700
2026	2,510,000	366,300	2,855,000	435,940	15,000,000	716,700
2026-2028	4,090,000	299,145	4,820,000	273,776	-	-
Total	<u>\$ 14,255,000</u>	<u>\$3,250,975</u>	<u>\$ 13,465,000</u>	<u>\$ 8,607,946</u>	<u>\$ 30,675,000</u>	<u>\$ 4,980,200</u>

Changes in compensated absences for the year ended June 30, 2021 was as follows:

	<u>Outstanding June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2021</u>	<u>Balance Due Within One Year</u>
Compensated Absences Payable	169,491	177,681	169,491	177,681	177,681
Totals	<u>\$ 67,538,378</u>	<u>\$ 177,681</u>	<u>\$ 169,491</u>	<u>\$ 177,681</u>	<u>\$ 177,681</u>

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. 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.

11. 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.

12. INTERFUND ACTIVITY

Interfund balances and Transfers are used to fund operations between funds. Interfund transfers are clearly segregated and shown on the face of the financial statements.

13. 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 (now Article XI, Section 11b). 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 for the major source of operating revenue. The voters of the State of Oregon passed ballot Measure 50 in May 1997 to further reduce property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit.

Measure 50 reduced the amount of operating property tax revenues available to the District for its 1997-98 fiscal year, and thereafter. This reduction is accomplished by rolling assessed property values back to their 1995-96 values less 10%, and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Measure also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State of Oregon to minimize the impact of the tax cuts to school districts.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

14. COMMITMENTS AND CONTINGENCIES

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

The District 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. A liability of \$200,000 is booked for potential future settlements.

The Covid-19 outbreak in the United States has caused disruption through mandated and voluntary closure of both government and business activities. These developments are expected to impact District revenue. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the District expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - OREGON PERS

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.072 %	\$ (15,785,496)	\$ 30,356,658	-52%	75.8 %
2020	0.000	-	27,456,992	0%	80.2
2019	0.050	(7,137,649)	24,591,791	-29%	82.1
2018	0.005	(621,590)	23,392,566	-3%	83.1

SCHEDULE OF CONTRIBUTIONS - OREGON PERS

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2021	\$ -	\$ -	\$ -	\$ 28,575,831	- %
2020	-	-	-	30,356,658	-
2019	-	-	-	27,456,992	-
2018	-	-	-	24,591,791	-

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - OREGON RHIA

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.42 %	\$ (869,703)	\$ 30,356,658	-3%	150.1 %
2020	0.25	(474,946)	27,456,992	-2%	144.4
2019	0.23	(256,487)	24,591,791	-1%	124.0
2018	0.22	(92,146)	23,392,566	0%	108.9

SCHEDULE OF CONTRIBUTIONS - OREGON RHIA

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2021	\$ 4,484	\$ 4,484	\$ -	\$ 28,575,831	- %
2020	30,481	30,481	-	30,356,658	0.001
2019	122,917	122,917	-	27,456,992	0.004
2018	110,695	110,695	-	24,591,791	0.005

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date. These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

SCHEDULE OF CHANGE IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2021

MEDICAL BENEFIT

	2021	2020	2019	2018	2017
Total OPEB Liability - beginning	4,036,644	3,609,908	4,635,767	4,873,523	5,291,914
Service cost	278,922	269,490	418,185	265,474	265,474
Interest	94,864	129,876	144,527	140,531	150,228
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(792,246)	-	19,762	-	-
Change of Assumptions and other input	(362,447)	364,658	(1,135,557)	-	-
Benefit Payments	(198,793)	(337,288)	(472,776)	(643,761)	(834,093)
Net change in total OPEB liability	(979,700)	426,736	(1,025,859)	(237,756)	(418,391)
Total OPEB Liability - end	3,056,944	4,036,644	3,609,908	4,635,767	4,873,523
Fiduciary net position - beginning					
Contributions - Employer	198,793	337,288	472,776	643,761	834,093
Contributions - Employee	-	-	-	-	-
Net Investment Income	-	-	-	-	-
Benefit payments	(198,793)	(337,288)	(472,776)	(643,761)	(834,093)
Administrative expense	-	-	-	-	-
Net change in fiduciary net position	-	-	-	-	-
Fiduciary net position - end of year	-	-	-	-	-
Net OPEB Liability - end of year	3,056,944	4,036,644	3,609,908	4,635,767	4,873,523
Fiduciary net position as percentage of the total OPEB liability	0%	0%	0%	0%	0%
Covered Payroll	32,862,524	33,160,978	32,039,592	34,261,846	33,263,928
Net OPEB liability as percentage of covered payroll	9%	12%	11%	14%	15%

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, 2021

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Revenue From Local Sources:				
Ad Valorem Taxes Levied by District	\$ 38,761,087	\$ 38,761,087	\$ 39,440,376	\$ 679,289
Revenue from Other Local Governments	75,000	75,000	14,886	(60,114)
Earnings from Investments	300,000	300,000	204,343	(95,657)
Rentals	45,000	45,000	44,072	(928)
Services Provided Other Local Education Agencies	-	-	169,918	169,918
Recovery of Prior Years' Expenditures	-	-	25,510	25,510
Fees Charged to Grants	300,000	300,000	355,307	55,307
Miscellaneous	974,137	974,137	354,209	(619,928)
Total Local Revenue	<u>40,455,224</u>	<u>40,455,224</u>	<u>40,608,621</u>	<u>153,397</u>
Revenue From Intermediate Sources:				
County School Fund	300,000	300,000	403,144	103,144
Restricted Revenue	174,000	174,000	138,462	(35,538)
Total Intermediate Revenue	<u>474,000</u>	<u>474,000</u>	<u>541,606</u>	<u>67,606</u>
Revenue From State Sources:				
State School Fund- General Support	23,239,458	23,239,458	22,113,487	(1,125,971)
Common School Fund	539,989	539,989	488,250	(51,739)
State Managed County Timber	500,000	500,000	667,662	167,662
Other Grants from State	-	-	435,754	435,754
Total State Revenue	<u>24,279,447</u>	<u>24,279,447</u>	<u>23,705,153</u>	<u>(574,294)</u>
Revenue From Federal Sources:				
Unrestricted Revenue From Fed Gov't Through State	74,000	74,000	4,181	(69,819)
Federal Forest Fees	-	-	251,057	251,057
Total Federal Revenue	<u>74,000</u>	<u>74,000</u>	<u>255,238</u>	<u>181,238</u>
Total Revenues	<u>65,282,671</u>	<u>65,282,671</u>	<u>65,110,618</u>	<u>(172,053)</u>
EXPENDITURES:				
Instruction	40,778,508	39,300,474 (1)	35,127,349	4,173,125
Support Services	28,111,817	27,488,451 (1)	24,832,666	2,655,785
Enterprise and Community Services	852	852 (1)	-	852
Facilities, Acquisition and Construction	5	5 (1)	-	5
Debt Service	1,600	3,000 (1)	3,000	-
Contingencies	750,000	750,000 (1)	-	750,000
Total Expenditures	<u>69,642,782</u>	<u>67,542,782</u>	<u>59,963,015</u>	<u>7,579,767</u>
Excess of Revenues Over, (Under)				
Expenditures	(4,360,111)	(2,260,111)	5,147,603	7,407,714
Other Financing Sources, (Uses):				
Transfers Out	(15)	(2,100,015) (1)	(2,100,000)	15
Sale of Fixed Assets	-	-	11,756	11,756
Total Other Financing Sources, (Uses)	<u>(15)</u>	<u>(2,100,015)</u>	<u>(2,088,244)</u>	<u>11,771</u>
Net Change in Fund Balance	(4,360,126)	(4,360,126)	3,059,359	7,419,485
Beginning Fund Balance	8,795,605	8,795,605	10,788,891	1,993,286
Ending Fund Balance	<u>\$ 4,435,479</u>	<u>\$ 4,435,479</u>	<u>\$ 13,848,250</u>	<u>\$ 9,412,771</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, 2021

<u>SPECIAL FUNDS</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Local Sources:				
Taxes - Prior Year Levies	\$ 3,015	\$ 3,015	\$ 10,413	\$ 7,398
Tuition		-	2,300	2,300
Earnings on Investments	24,448	24,448	11,480	(12,968)
School Sponsored Activities	1,346,100	1,346,100	412,166	(933,934)
Food Service Sales	120,000	120,000	23,803	(96,197)
Private Contributions	97,567	97,567	235,860	138,293
Recovery of Prior Year Expenditures	-	-	34,402	34,402
Miscellaneous	1,375,178	1,375,178	1,900,572	525,394
State Sources:				
Basic School Support	25,000	25,000	96,400	71,400
Grants-In-Aid	11,383,324	11,383,324	7,243,902	(4,139,422)
Federal Sources:				
Restricted Grants-In-Aid	10,099,270	15,173,675	10,728,735	(4,444,940)
Total Revenues	24,473,902	29,548,307	20,700,033	(8,848,274)
EXPENDITURES:				
Instruction	10,076,234	13,073,642 (1)	6,607,763	6,465,879
Support Services	8,562,935	9,718,953 (1)	5,841,417	3,877,536
Community Services	4,187,351	5,128,348 (1)	3,427,144	1,701,204
Facilities Acquisition and Construction	4,648,525	4,928,525 (1)	3,454,821	1,473,704
Total Expenditures	27,475,045	32,849,468	19,331,145	13,518,323
Excess of Revenues Over, (Under)				
Expenditures	(3,001,143)	(3,001,143)	1,368,888	4,370,031
Other Financing Sources, (Uses):				
Sale of Capital Assets	450,000	450,000	421,006	(28,994)
Transfers In	5	2,100,005	2,100,000	(5)
Transfers Out	(5)	(5) (1)	-	5
Total Other Financing Sources, (Uses)	450,000	2,550,000	2,521,006	(28,994)
Net Change in Fund Balance	(2,551,143)	(751,161)	3,889,894	4,641,055
Beginning Fund Balance	3,744,818	3,744,818	3,773,208	28,390
Ending Fund Balance	\$ 1,193,675	\$ 2,993,657	\$ 7,663,102	\$ 4,669,445

(1) Appropriation Level

SUPPLEMENTARY INFORMATION

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2021

SELF INSURANCE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
From Local Sources:				
Earnings on Investments	\$ 21,500	\$ 21,500	\$ 12,595	\$ (8,905)
Services Charged Other Funds	1,385,000	1,385,000	1,575,346	190,346
Miscellaneous	<u>35,000</u>	<u>35,000</u>	<u>35,628</u>	<u>628</u>
Total Local Revenue	<u>1,441,500</u>	<u>1,441,500</u>	<u>1,623,569</u>	<u>182,069</u>
EXPENDITURES:				
Support Services	<u>1,676,530</u>	<u>1,676,530</u>	<u>1,162,674</u>	<u>513,856</u>
Total Support Services	<u>1,676,530</u>	<u>1,676,530 (1)</u>	<u>1,162,674</u>	<u>513,856</u>
Total Expenditures	<u>1,676,530</u>	<u>1,676,530</u>	<u>1,162,674</u>	<u>513,856</u>
Net Change in Fund Balance	(235,030)	(235,030)	460,895	695,925
Beginning Fund Balance	<u>1,507,224</u>	<u>1,507,224</u>	<u>1,559,748</u>	<u>52,524</u>
Ending Fund Balance	<u>\$ 1,272,194</u>	<u>\$ 1,272,194</u>	<u>\$ 2,020,643</u>	<u>\$ 748,449</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, 2021

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	\$ 5,949,927	\$ 5,949,927	\$ 6,233,955	\$ 284,028
Taxes - Prior Years' Levies	102,000	102,000	187,117	85,117
Services Provided Other Funds	6,572,628	6,572,628	5,578,890	(993,738)
Interest Earnings	163,995	163,995	87,242	(76,753)
Total Revenues	<u>12,788,550</u>	<u>12,788,550</u>	<u>12,087,204</u>	<u>(701,346)</u>
EXPENDITURES:				
Debt Service:				
Principal on Bonded Indebtedness	5,621,542	5,621,542	5,621,541	1
Interest on Bonded Indebtedness	4,098,422	4,098,422	4,085,521	12,901
Total Expenditures	<u>9,719,964</u>	<u>9,719,964 (1)</u>	<u>9,707,062</u>	<u>12,902</u>
Excess of Revenues Over, (Under) Expenditures	3,068,586	3,068,586	2,380,142	(688,444)
Other Financing Sources:				
Transfer In	<u>5</u>	<u>5</u>	<u>-</u>	<u>(5)</u>
Net Change in Fund Balance	3,068,591	3,068,591	2,380,142	(688,449)
Beginning Fund Balance	<u>8,382,517</u>	<u>8,382,517</u>	<u>8,652,208</u>	<u>269,691</u>
Ending Fund Balance	<u>\$ 11,451,108</u>	<u>\$ 11,451,108</u>	<u>\$ 11,032,350</u>	<u>\$ (418,758)</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, 2021

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	\$ 480,000	\$ 480,000	\$ 715,747	\$ 235,747
Earnings on Investments	15,000	15,000	4,501	(10,499)
Total Revenues	<u>495,000</u>	<u>495,000</u>	<u>720,248</u>	<u>225,248</u>
EXPENDITURES:				
Facilities Acquisition and Construction	<u>1,120,155</u>	<u>1,120,155</u>	<u>480,172</u> (1)	<u>639,983</u>
Total Expenditures	<u>1,120,155</u>	<u>1,120,155</u>	<u>480,172</u>	<u>639,983</u>
Excess of Revenues Over, (Under) Expenditure	(625,155)	(625,155)	240,076	865,231
Other Financing Sources:				
Transfer In	<u>5</u>	<u>5</u>	<u>-</u>	<u>(5)</u>
Total Other Financing Sources	5	5	-	(5)
Net Change in Fund Balance	(625,150)	(625,150)	240,076	865,226
Beginning Fund Balance	<u>625,150</u>	<u>625,150</u>	<u>742,167</u>	<u>117,017</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 982,243</u>	<u>\$ 982,243</u>

(1) Appropriation Level

INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS



PAULY, ROGERS AND CO., P.C.
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(503) 620-2632 ♦ (503) 684-7523 FAX
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November 3, 2021

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, 2021, and have issued our report thereon dated November 3, 2021. 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).**
- **State School Fund factors and calculation**

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

OAR 162-10-0230 Internal Control

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

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

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

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, 2021

Program Title	Pass Through Organization	Federal AL 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	58299	7/1/20-9/30/22	1,461,375	130,725
Title IA	OR Department of Education	84.010	53303	7/1/19-9/30/21	320,365	
Title ID - Neglected & Delinquent Children	OR Department of Education	84.010	58904	7/1/20-9/30/21	16,337	
ESSA District & School Improvement 19-20	OR Department of Education	84.010	54305	7/1/19-9/30/22	184,087	
ESSA District & School Improvement 19-20	OR Department of Education	84.010	65122	7/1/19-9/30/22	397,913	
ESSA District & School Improvement 20-21	OR Department of Education	84.010	60399	7/1/19-9/30/20	89,962	
Total Title I Grants to Local Education Agencies					<u>2,470,038</u>	<u>130,725</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth						
Title ID - Neglected & Delinquent Children	OR Department of Education	84.013	12297	7/1/19-6/30/21	13,691	-
Education Stabilization						
*Covid 19 -LEA ESSER Fund	OR Department of Education	84.425	57846	3/31/20-9/30/22	1,296,214	119,389
*Covid 19 ESSER 2 Fund - CRRSA	OR Department of Education	84.425	64616	3/31/20-9/30/22	1,314,853	32,942
*Covid 19 - GEER Comprehensive Distance Learning	OR Department of Education	84.425	60974	7/1/20-5/30/21	342,477	30,854
					<u>2,953,544</u>	<u>183,185</u>
Supporting Effective Instruction State Grants						
Supporting Effective Instruction State Grants	OR Department of Education	84.367	49342	7/1/18-9/30/21	94,645	
Supporting Effective Instruction State Grants	OR Department of Education	84.367	53565	7/1/19-9/30/22	60,795	1,620
Total Supporting Effective Instruction State Grants					<u>155,440</u>	<u>1,620</u>
English Language Acquisition State Grants						
Title III - English Language Acquisition	OR Department of Education	84.365	50259	7/1/18-9/30/21	27,298	
Title III - English Language Acquisition	OR Department of Education	84.365	53431	7/1/19-9/30/22	14,850	
Total English Language Acquisition State Grants					<u>42,147</u>	<u>-</u>
Student Support and Academic Enrichment						
Title IV-A - SSAE	OR Department of Education	84.424	58607	7/1/20-9/30/21	131,474	
Total Student Support and Academic Enrichment					<u>131,474</u>	<u>-</u>
21st Century Community Learning Centers						
Title IV-B - After School Learning Centers	OR Department of Education	84.287	54269	7/1/19-9/30/21	157,764	
Title IV-B - After School Learning Centers	OR Department of Education	84.287	61153	7/1/20-9/30/21	120,589	
Total 21st Century Community Learning					<u>278,353</u>	<u>-</u>
Rural Education						
Title V-B - Rural and Low Income Schools	OR Department of Education	84.358	50877	7/1/18-9/30/21	24,375	
Title V-B - Rural and Low Income Schools	OR Department of Education	84.358	55330	7/1/19-9/30/21	94,429	
Total Rural Education					<u>118,804</u>	<u>-</u>
Education for Homeless Children and Youth						
McKinney-Vento Homeless	OR Department of Education	84.196	54906	10/1/19-9/30/22	22,308	
McKinney-Vento Homeless	OR Department of Education	84.196	65238	7/1/20-9/30/21	42,766	
Total Education for Homeless Children and Youth					<u>65,074</u>	<u>-</u>
Special Education Grants to State Cluster						
Extended Assessment Training	OR Department of Education	84.027	59374	7/1/20-6/30/21	1,046	
IDEA Part B Section 611 19-20 Formula	OR Department of Education	84.027	53861	7/1/19-9/30/21	242,184	
IDEA Part B Section 611 19-20 Formula	OR Department of Education	84.027	56685	7/1/19-9/30/21	13,841	
IDEA Part B Section 611 20-21 Formula	OR Department of Education	84.027	60689	7/1/20-9/30/22	446,186	
Long Term Care & Trtmt - IDEA Funds	OR Department of Education	84.027	12297	7/1/19-6/30/21	8,588	
					<u>711,845</u>	
Special Education - Preschool Grants	OR Department of Education	84.173	54007	7/1/19-9/30/21	5,331	
Special Education - Preschool Grants	OR Department of Education	84.173	60524	7/1/20-9/30/21	11,399	
					<u>16,730</u>	
Total Special Education Cluster					<u>728,575</u>	<u>-</u>
Rehabilitation Services Vocational Rehabilitation Grants to States						
Youth Transition Program	OR Dept of Human Services	84.126A	160726	7/1/19-6/30/21	40,920	
Total Rehabilitation Services Vocational Rehabilitation Grants to States					<u>40,920</u>	<u>-</u>
Indian Education Grants to Local Educational Agencies						
Indian Education	US Department of Education	84.060A	S060A190152	7/1/19-6/30/21	18,864	
Indian Education	US Department of Education	84.060A	S060A200152	7/1/20-10/30/22	90,764	
Total Indian Education Grants to Local Educational Agencies					<u>109,628</u>	<u>-</u>

LINCOLN COUNTY SCHOOL DISTRICT
LINCOLN COUNTY, OREGON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2021

Program Title	Pass Through Organization	Federal AL 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	9/1/19-8/31/21	55,856	
GEAR UP	Oregon State University	84.334	ED159A-C	9/1/19-8/31/21	95,689	
Total Gaining Early Awareness and Readiness for Undergraduate Programs					151,545	-
School Safety National Activities						
School Emergency Response to Violence (Project SERV)	US Department of Education	84.184S	S184S210001	11/13/20-11/12/21	79,239	
TOTAL US DEPARTMENT OF EDUCATION					7,338,474	315,531
US DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Child Care and Development Block Grant						
Child Care Direct Provider Payments	OR Dept of Human Services	93.575	156224	7/1/20-6/30/21	2,918	
Foster Care Title IV-E						
Foster Care Transportations Reimbursement	OR Department of Education	93.658	57192	7/1/19-6/30/21	4,181	
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES					7,099	-
US DEPARTMENT OF AGRICULTURE						
Child Nutrition Cluster						
National School Lunch Program - Commodities (non-cash)	OR Department of Education	10.555	2112001	7/1/20-6/30/21	242,393	
<i>Covid 19</i> -Summer Food Service Program	OR Department of Education	10.555	2112001	7/1/20-6/30/21	85,111	
Summer Food Service Program	OR Department of Education	10.559	2112001	7/1/20-6/30/21	2,009,783	
Total Child Nutrition Cluster					2,337,287	-
Child and Adult Care Food Program	OR Department of Education	10.558	2112001	7/1/20-6/30/21	834,905	
Total Child and Adult Care Food Program					834,905	-
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	54889	10/1/19-9/30/20	6,726	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	54891	10/1/19-9/30/20	6,048	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	54892	10/1/19-9/30/20	8,536	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	54894	10/1/19-9/30/20	6,073	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	54893	10/1/19-9/30/20	5,036	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	54818	10/1/19-9/30/20	8,536	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	54896	10/1/19-9/30/20	12,194	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	54895	10/1/19-9/30/20	1,820	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	54897	10/1/19-9/30/20	5,036	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	54898	10/1/19-9/30/20	1,975	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	54890	10/1/19-9/30/20	4,438	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	61223	10/1/20-9/30/21	7,900	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	61301	10/1/20-9/30/21	16,081	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	61302	10/1/20-9/30/21	15,065	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	61303	10/1/20-9/30/21	12,706	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	61304	10/1/20-9/30/21	15,376	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	61305	10/1/20-9/30/21	21,077	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	61306	10/1/20-9/30/21	5,046	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	61307	10/1/20-9/30/21	20,800	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	61308	10/1/20-9/30/21	5,500	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	61309	10/1/20-9/30/21	4,800	
Fresh Fruits and Vegetable Program	OR Department of Education	10.582	61310	10/1/20-9/30/21	14,960	
TOTAL US DEPARTMENT OF AGRICULTURE					205,727	-
TOTAL US DEPARTMENT OF AGRICULTURE					3,377,920	-
US DEPARTMENT OF JUSTICE						
Office of Juvenile Justice and Delinquency Prevention JJDP Title II Formula Grants	OR Department of Education	16.540	12380	4/1/20-9/30/20	164	
TOTAL US DEPARTMENT OF JUSTICE					164	-
TOTAL GRANTS EXPENDED OR PASSED THROUGH TO SUBRECIPIENTS					\$ 10,723,657	315,531
Other Federal Revenue not federal awards						
School Medicaid Billing	OR Dept of Human Services				9,260	
Schools and Roads - Federal Forest Fees	Lincoln County				251,057	
Total Federal Revenue					\$ 10,983,973	



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November 3, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 3, 2021.

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.

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.



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November 3, 2021

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, 2021. 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, 2021.

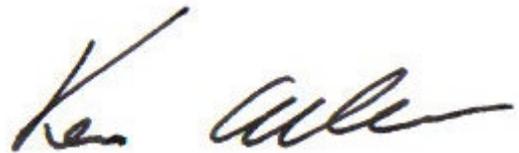
Report on Internal Control Over Compliance

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", is positioned above the printed name and title.

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, 2021

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

AL NUMBER **NAME OF FEDERAL PROGRAM CLUSTER**

84.425 Education Stabilization Fund
10.558 Child and Adult Care Food Program
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, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

No findings were noted during the audit for 2020-2021.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

No findings were noted during the audit for 2020-2021.

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.