

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017



12700 SW 72nd Ave.
Tigard, OR 97223

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

FINANCIAL REPORT

For the Year Ended June 30, 2017

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CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

2016-2017
FINANCIAL REPORT

BOARD OF EDUCATION

TERM EXPIRES

Mark Penrod, Chair

June 30, 2019

George Frasier, Vice Chair

June 30, 2019

Dave Goracke

June 30, 2019

Eric Gerber

June 30, 2017

Chris Wyne

June 30, 2017

Parker Leigh

June 30, 2019

Rebekah Schneiter

June 30, 2017

ADMINISTRATION

Brian Gardner, Superintendent
Celeste Van Cleave, Deputy Clerk/Business Manager
PO Box 200
Halsey, OR 97348

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LINN COUNTY, OREGON

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LINN COUNTY, OREGON

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PAULY, ROGERS AND CO., P.C.
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December 18, 2017

To the Board of Directors
Central Linn School District No. 552C
Linn County, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the financial statements of the governmental activities and each major fund of Central Linn School District No. 552C, Linn County, Oregon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Central Linn School District No. 552C, Linn County, Oregon, at June 30, 2017 and the respective changes in financial position 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 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The pension schedule 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal expenditures is presented for purposes of additional analysis 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 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 federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 18, 2017, 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.

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**CENTRAL LINN SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**

Our discussion and analysis of Central Linn School district’s financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the District’s Financial Statements, which follows this MD&A. Comparative information is provided between the prior fiscal year ended June 30, 2016 and June 30, 2017.

FINANCIAL HIGHLIGHTS

- At June 30, 2017, the District’s liabilities exceeded its assets by \$495,334.
- The District has \$3,808,708 invested in capital assets, net of depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position shows the District’s assets, deferred outflows, liabilities, and deferred inflows with the difference between the combination of assets and deferred outflows and the combination of liabilities and deferred reported as net position. 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 position for the District as a whole. Revenue and expenses attributable to specific functions are segregated from general revenues, to display the extent to which general revenues support each function.

FUND FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets, liabilities and net position were as follows:

	<u>2017</u>	<u>2016</u>	<u>Difference</u>	<u>%</u>
Assets				
Current and Other Assets	\$ 1,300,651	\$ 1,362,286	\$ (61,635)	-4.5%
Capital Assets (net)	<u>3,808,708</u>	<u>3,944,232</u>	<u>(135,524)</u>	<u>-3.4%</u>
Total Assets	<u>5,109,359</u>	<u>5,306,518</u>	<u>(197,159)</u>	<u>-3.7%</u>
Deferred Outflows				
Pension Deferrals	<u>4,689,278</u>	<u>948,959</u>	<u>3,740,319</u>	<u>394.1%</u>
Liabilities				
Other Liabilities	555,768	514,058	41,710	8.1%
Proportionate Share of Pension Liability	8,590,683	3,765,481		
Long Term Liabilities	<u>679,311</u>	<u>768,791</u>	<u>(89,480)</u>	<u>-11.6%</u>
Total Liabilities	<u>9,825,762</u>	<u>5,048,330</u>	<u>4,777,432</u>	<u>94.6%</u>
Deferred Inflows				
Pension Deferrals	<u>468,209</u>	<u>814,481</u>	<u>(346,272)</u>	<u>-42.5%</u>
Net Position				
Investment in Capital Assets, Net of Related Debt	3,150,883	3,220,200	(69,317)	-2.2%
Restricted For:				
Food Service	960	-	960	100.0%
Student Activities	148,158	145,714	2,444	1.7%
COBRA Student Enterprises	2,094	2,871	(777)	-27.1%
Net Assets: Unrestricted	<u>(3,797,429)</u>	<u>(2,976,119)</u>	<u>(821,310)</u>	<u>-27.6%</u>
Total Net Position	<u>\$ (495,334)</u>	<u>\$ 392,666</u>	<u>\$ (888,000)</u>	<u>-226.1%</u>

The district has \$1,300,651 in current assets, of that amount \$693,885 is cash and investments. As of June 30, 2017 the district carries long term debt on the 6 used Blue Bird buses, the capital lease purchase on Bus 6, and the Cool Schools loan. The total of these long-term liabilities including accrued vacation is \$679,311. The district’s remaining other liabilities consist of accounts payable and payroll liabilities for a total of \$555,768.

During the current fiscal year, the District's net position decreased \$888,000 almost solely due to recognition of the PERS pension liability. The Statement of Net Position now presents two line items related to the PERS pension liability. The Pension Deferred Outflow of \$4,689,278 and the Proportionate Share of Pension Liability of \$8,590,683 are reported due to the District's implementation in June 2016 of GASB Statement 68, *Accounting and Reporting for Pensions*.

The District's revenues and expenses for fiscal year 2016-2017 and 2015-2016, were as follows:

	2017	2016	Difference	%
Revenues				
Charges for Services	\$ 334,453	\$ 334,234	\$ 219	0.1%
Operatings Grants	1,009,161	854,754	154,407	18.1%
General Revenues				
Property Taxes	2,985,206	2,893,559	91,647	3.2%
State Revenue Sharing	3,237,984	3,110,059	127,925	4.1%
Miscellaneous	297,530	291,666	5,864	2.0%
Total Revenues	7,864,334	7,484,272	380,062	5.1%
Expenses				
Instruction	5,147,647	6,466,033	(1,318,386)	-20.4%
Support Services	3,183,554	3,795,639	(612,085)	-16.1%
Community Services	398,603	509,568	(110,965)	-21.8%
Interest on Long-Term Debt	22,530	24,584	(2,054)	-8.4%
Total Expenses	8,752,334	10,795,825	(2,043,490)	-18.9%
Change in Net Position	(888,000)	(3,311,553)	2,423,553	-73.2%
Beginning Net Position	392,666	3,704,219	(3,311,553)	-89.4%
Ending Net Position	\$ (495,334)	\$ 392,666	\$ (888,000)	-226.1%

The District Net Position decreased by \$888,000 in the current fiscal year.

The pension items had a significant impact on the Statements of Activities. The additional pension accrual for year ended June 30, 2017 was \$738,613. The pension accrual expense represents the changes in net pension asset or liability due to changes in total pension liability and the fair value of pension plan net benefit available to pay pension benefits. The additional accrual was allocated pro-rata on the Statement of Activities as \$476,000 for Instruction, \$235,282 for Support Services and \$27,331 for Community Services. The additional pension accrual is the result of recognizing that the prior year pension asset is now a pension liability of \$8,590,683 as reflected on the Statement of Net Position and recognizing pension Deferred Outflow of \$4,689,278 and pension Deferred Inflow of \$468,209. The pension liability is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees. The net change of the pension Assets, Liabilities, Deferred Outflows and Deferred Inflows from prior year to current year ended June 30, 2017 is the \$738,613 accrual distributed on the Statement of Activities.

FUND FINANCIAL ANALYSIS

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unrestricted fund balance measures the District's net resources available for appropriation in the next fiscal year. As of June 30, 2017, the total fund balance of the governmental funds equaled \$434,264; a \$117,206 decrease from year ending June 30, 2016. Other Governmental Funds and Student Activities Fund were rolled to Special Revenue Fund as per budget appropriations.

Summary of ending fund balances for the governmental funds for 2017 and 2016 are as follows:

	ENDING FUND BALANCE		
	2017	2016	Change
General Fund	\$ 210,228	\$ 319,472	\$ (109,244)
Special Revenue Fund	221,942	229,127	(7,185)
Cobra Student Enterprise Fund	2,094	2,871	(777)

CAPITAL ASSETS

At June 30, 2017 the District had \$3,808,708 invested in a broad range of capital assets, including land, building, equipment and vehicles. Also reflected in capital assets is the deferred outflows related to the pension plan. See Note 4 for further details on capital assets.

DEBT ADMINISTRATION


As of June 30, 2017 the District had \$657,827 in long term Debt excluding accrued vacation. The district has a capital lease purchase on propane Bus 6. The district participated in the Cool Schools program through the Oregon Department of Energy in 2013 to replace the heating system at Central Linn Elementary and carries an outstanding debt service of \$551,151 related to the project. Six used Blue Bird buses were purchased toward the end of fiscal year 2015. Debt service on that loan is carried with Umpqua Bank.

2017-2018 BUDGET

The budget for 2017-2018 has total appropriations of \$8,643,612. Operating resources and uses are expected to be similar as in 2016-17.

REQUESTS FOR INFORMATION

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



Celeste Van Cleave
Business Manager
Central Linn School District

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>
ASSETS:	
Current:	
Cash and investments	\$ 693,885
Receivables	594,918
Supply Inventory	11,848
Non-Current	
Land	162,298
Building and equipment, net	<u>3,646,410</u>
 TOTAL ASSETS	 <u>5,109,359</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferrals	<u>4,689,278</u>
LIABILITIES:	
Accounts payable	59,815
Payroll liabilities	495,953
Long Term Liabilities	
Proportionate Share of Net Pension Liability	8,590,683
Due within one year	108,293
Due in more than one year	<u>571,018</u>
 TOTAL LIABILITIES	 <u>9,825,762</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension Deferrals	<u>468,209</u>
NET POSITION:	
Net Investment in Capital Assets	3,150,883
Restricted For:	
Food Service	960
Student Activities	148,158
Cobra Student Enterprises	2,094
Unrestricted	<u>(3,797,429)</u>
 TOTAL NET POSITION	 <u>\$ (495,334)</u>

See accompanying notes to basic financial statements.

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instruction	\$ 5,147,647	\$ 297,838	\$ 575,519	\$ (4,274,290)
Support services	3,183,554	-	212,844	(2,970,710)
Enterprise and community services:	398,603	36,615	220,798	(141,190)
Interest on long-term debt	22,530	-	-	(22,530)
Total governmental activities	\$ 8,752,334	\$ 334,453	\$ 1,009,161	(7,408,720)
General revenues:				
Property Taxes Levied for General Purposes				2,985,206
State School Fund - General Support				3,237,984
Intermediate Sources				31,900
Other State Sources				150,192
Other Federal Sources				3,399
Miscellaneous				99,402
Earnings on Investments				12,637
Total general revenues				6,520,720
CHANGE IN NET POSITION				(888,000)
Beginning Net Position				392,666
Ending Net Position				\$ (495,334)

See accompanying notes to basic financial statements.

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2017

	GENERAL	SPECIAL REVENUE	COBRA STUDENT ENTERPRISES	TOTAL
ASSETS				
Cash and Investments	\$ 661,073	\$ 30,718	\$ 2,094	\$ 693,885
Receivables:				
Taxes	310,619	-	-	310,619
Accounts	104,499	179,800	-	284,299
Inventory	-	11,848	-	11,848
Total Assets	\$ 1,076,191	\$ 222,366	\$ 2,094	\$ 1,300,651
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 59,391	\$ 424	\$ -	\$ 59,815
Payroll Liabilities	495,953	-	-	495,953
Total Liabilities	555,344	424	-	555,768
Deferred Inflows				
Unavailable Revenue - Property Taxes	310,619	-	-	310,619
Fund Balance:				
Non-Spendable	-	11,848	-	11,848
Restricted For:				
Food Service	-	960	-	960
Student Activities	-	148,158	-	148,158
Cobra Student Enterprises	-	-	2,094	2,094
Committed For:				
Future Capital Purchases	-	1,942	-	1,942
Technology	-	32,797	-	32,797
Track and Athletics	-	38,085	-	38,085
Unassigned	210,228	(11,848)	-	198,380
Total Fund Balance	210,228	221,942	2,094	434,264
Total Liabilities, Deferred Inflows and Fund Balance	\$ 1,076,191	\$ 222,366	\$ 2,094	\$ 1,300,651

See accompanying notes to basic financial statements.

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2017

TOTAL FUND BALANCES		\$	434,264
 The net pension asset (liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.			
			(8,590,683)
 Deferred inflows and outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.			
			4,221,069
 Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost	\$	7,036,998	
Accumulated depreciation		<u>(3,228,290)</u>	3,808,708
 A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore are not reported as revenue in the governmental funds.			
			310,619
 Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:			
Long-term loans payable	\$	(657,827)	
Compensated absences payable		<u>(21,484)</u>	<u>(679,311)</u>
 TOTAL NET POSITION		 \$	 <u>(495,334)</u>

See accompanying notes to basic financial statements.

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2017

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>COBRA STUDENT ENTERPRISES</u>	<u>TOTAL</u>
REVENUES:				
1000 Local Sources	\$ 3,142,132	\$ 273,801	\$ 4,119	\$ 3,420,052
2000 Intermediate Sources	31,900	-	-	31,900
3000 State Sources	3,614,208	6,983	-	3,621,191
4000 Federal Sources	4,909	772,422	-	777,331
	<u>6,793,148</u>	<u>1,053,206</u>	<u>4,119</u>	<u>7,850,473</u>
EXPENDITURES:				
1000 Instruction	3,774,268	762,435	-	4,536,703
2000 Support Services	2,856,501	42,241	-	2,898,742
3000 Enterprise and Community Services	70,184	286,721	4,896	361,801
5000 Debt Service	106,736	-	-	106,736
Capital Outlay	60,494	3,204	-	63,698
	<u>6,868,182</u>	<u>1,094,601</u>	<u>4,896</u>	<u>7,967,679</u>
Excess of Revenues Over, -Under Expenditures	(75,034)	(41,395)	(777)	(117,206)
Other Financing Sources, -Uses:				
Transfers In	9,205	43,415	-	52,620
Transfers (Out)	(43,415)	(9,205)	-	(52,620)
	<u>(34,210)</u>	<u>34,210</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(109,244)	(7,185)	(777)	(117,206)
Beginning Fund Balance	<u>319,472</u>	<u>229,127</u>	<u>2,871</u>	<u>551,470</u>
Ending Fund Balance	<u>\$ 210,228</u>	<u>\$ 221,942</u>	<u>\$ 2,094</u>	<u>\$ 434,264</u>

See accompanying notes to basic financial statements.

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2017

NET CHANGE IN FUND BALANCE	\$	(117,206)
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Amounts reported for governmental activities in the Statement of Activities are different because:

The pension expense 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.		(738,613)
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-----------

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ -		
Loss on disposal of capital assets	(4,111)		
Less current year depreciation	<u>(131,413)</u>		(135,524)

Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position:

Accrued Vacation	5,275		
Debt principal repaid	<u>84,206</u>		89,481

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.

		<u>13,861</u>
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CHANGE IN NET POSITION	\$	<u><u>(888,000)</u></u>
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See accompanying notes to basic financial statements.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Central Linn School 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

The District was organized under provisions of Oregon Statutes Chapter 332 for the purpose of operating elementary and secondary schools. The Central Linn School District is a municipal corporation governed by an elected seven member board.

The District is a municipal corporation governed by an elected board. The accompanying financial statements present the government and its component units (if any), 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. The District has no component units or blended component units.

Basis of Presentation

Government-wide Financial Statements

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 and the Statement of Changes in 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 non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Non-exchange 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.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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 – 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 Revenues – The Special Revenues Fund accounts for resources and expenditures from federal grant programs and for revenues and expenditures of the District's food program. Principal revenue sources are cash sales of food and subsidies under the National School Lunch Act. All grant related revenues in the special revenue fund are restricted.

Cobra Student Enterprise – The Cobra Student Enterprise Fund accounts for the revenues and expenses of student run businesses.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted and available to finance the program. It is the policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. All revenues reported in the governmental funds are considered to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Private sector standards of accounting and reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that these standards do not conflict or contradict the guidance of the Governmental Accounting Standards Board.

Cash, Cash Equivalents and Investments

The cash and cash equivalents consist of cash on hand, demand deposits, saving deposits, investments in the State of Oregon Treasurer's Local Government Investment Pool (LGIP).

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Property Taxes Receivable

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected property taxes are recorded on the statement of Net Position. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

Interfund Receivables and Payables and Transfers

The receipt and payment of monies through one central checking account, as well as transfers between funds, result in interfund payables and receivables until cash is transferred from one fund to the other. These amounts represent current assets and liabilities and are reported as due to or due from other funds.

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. Grant monies received prior to the occurrence of qualifying expenditures are recorded as deferred revenue.

Supply Inventories

Purchased inventories are stated at cost using first-in, first-out (FIFO) method. Any donated inventories are stated at their estimated fair market value. The cost of inventory items are recognized as an expenditure when purchased (purchase method).

A portion of the inventory consists of donated United States Department of Agriculture (USDA) commodities. Commodities are recorded as expenditures when consumed and are stated at their fair market value based on guidelines provided by the USDA. Commodities on hand at year end are recorded as deferred revenue. As a result, fund balance on the balance sheet has not been reserved for inventories of donated commodities.

Accounts and Other Receivables

Accounts and other receivables are comprised primarily of State school support and claims for reimbursement of costs under various federal and state grants.

Capital Assets

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

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Capital Assets (Cont.)

Buildings	100 years
Greenhouses	30 years
Modular Buildings	30 years
Vehicles	20 years
Equipment	15 years

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

The District has a policy which permits employees to accumulate unused sick leave at the rate of one day per month of service over their working careers. The District does not compensate employees for unused accumulations upon termination of employment. Twelve month employees earn vacation as determined by their length of employment. They are allowed to carryover no more than two years of vacation accrual into the subsequent year.

Long-term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Net Position

Net Position comprises the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net Position is 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. A portion of Net Position is restricted for student programs.

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

Fund Balance

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

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories.
- 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. No assignments have been made.
- 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.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Budget

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. The budgetary basis of accounting is substantially the same as accounting principles generally accepted in the United States of America basis, except capital outlay expenditures are expensed when purchased, debt is recorded as an expense when paid, tax revenue is recorded when received, inventories are budgeted as expenditures when purchased, and depreciation is not recorded. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Appropriations are established at the major function level (instruction, support services, community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution.

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. Appropriations lapse at the end of each fiscal year.

Expenditures of the various funds were within authorized appropriations, except for Debt Service in the General Fund and Community Services in the Special Revenue Fund, which exceeded appropriations by \$10 and \$17,857 respectively. Budget amounts shown in the budgetary financial statements include amounts from the supplemental budget.

Use of Estimates

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

Deferred Outflows/Inflows 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 inflows and outflows are clearly labeled on the face of the financial statement.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Fair Value Inputs and 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. CASH AND INVESTMENTS

Investments

The policy is to follow state statutes governing cash management. Statutes authorize investing 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. 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, 2017.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONT.)

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, 2017, the fair value of the position in the LGIP is 100.57% 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, 2017 (recorded at fair value) consisted of:

Deposits With Financial Institutions:		<u>2017</u>		
Demand Deposits				
Checking	\$	301,370		
Investments		<u>392,515</u>		
Total	\$	<u>693,885</u>		

There are the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-18	More than 18
State Treasurer's Investment Pool	\$ 392,515	\$ 392,515	\$ -	\$ -
Total	\$ 392,515	\$ 392,515	\$ -	\$ -

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. There are no investments that have a maturity date beyond three months.

Credit Risk

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

Concentration of Credit/Deposit Risk

At June 30, 2017, 100% was invested in the State Treasurer's Investment Pool. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution.

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements was \$361,215. Of these deposits, \$321,030 was covered by federal depository insurance, and the remainder is collateralized by the Oregon Public Funds Collateralization Program (PFCP).

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. ACCOUNTS/GRANTS RECEIVABLE

Special revenue fund accounts and grants receivable are comprised of claims for reimbursement of costs under various federal grant programs. All are considered collectible and therefore there is no allowance for uncollectible accounts.

4. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2017 are as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Land (Non-Depreciable)	\$ 162,298	\$ -	\$ -	\$ 162,298
Building & Improvements	5,854,591	-	(120,495)	5,734,096
Equipment	1,241,714	-	(101,110)	1,140,604
Total	7,258,603	-	(221,605)	7,036,998
Accumulated Depreciation:				
Buildings & Improvements	2,518,159	83,564	(116,384)	2,485,339
Equipment	796,212	47,849	(101,110)	742,951
Total	3,314,371	131,413	(217,494)	3,228,290
Net Capital Assets	<u>\$ 3,944,232</u>			<u>\$ 3,808,708</u>

Depreciation was allocated to the functions as follows:

Instruction	\$ 98,560
Support Services	26,283
Community Services	6,570
Total Depreciation	<u>\$ 131,413</u>

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

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

- 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 either by a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
 - ii) **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
 - member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
 - iii) **Disability Benefits.** A member with 10 or more years of creditable service who becomes disable 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.
 - iv) **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.
- b) **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i) **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) – (CONTINUED)

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

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

- ii) Death Benefits. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- iii) Disability Benefits. A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv) Benefit Changes After Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2017 were approximately \$738,192, excluding amounts to fund employer specific liabilities. In addition, approximately \$224,682 of employee contributions were paid or picked up by the school in fiscal 2017.

At June 30, 2017, the District reported a liability of \$8,590,683 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 school districts, actuarially determined. At December 31, 2014, the District's proportion was .06 percent.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 284,217	\$ -
Changes in assumptions	1,832,186	-
Net difference between projected and actual earnings on pension plan investments	1,697,158	-
Changes in proportionate share	20,664	450,044
Differences between employer contributions and employer's proportionate share of system contributions	116,861	18,165
Contributions made after measurement date	738,192	-
Total	<u>\$ 4,689,278</u>	<u>\$ 468,209</u>

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) – (CONTINUED)

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
2017	\$ 608,129
2018	608,129
2019	1,236,646
2020	915,340
2021	114,633
Thereafter	-
Total	\$ 3,482,877

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated December 1, 2016. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/EMP/Documents/GASB/2016/Oregon-PERS-GASB-68-Report.pdf>

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

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

Actuarial Methods and Assumptions:

Valuation date	December 31, 2014 rolled forward to June 30, 2016 measurement date
Experience Study Report	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.5 percent (reduced from 2.75 percent)
Investment rate of return	7.5 percent (reduced from 7.75 percent)

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) – (CONTINUED)

Projected salary increase	3.5 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service (reduced from 3.5 percent)
Cost of Living Adjustment	Blend of 2.0 percent COLA and graded COLA (1.25/0.15 percent) in accordance with <i>Moro</i> decision, blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.

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

Discount Rate – The discount rate used to measure the total pension liability was 7.5 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.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

Source: June 30, 2014 PERS CAFR; p. 54 – 55)

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) – (CONTINUED)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 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	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-term Bonds	8.00%	3.70%
Intermediate-Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equity	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	7.71%	6.07%
<i>Assumed Inflation</i>		2.75%

Source: June 30, 2014 PERS CAFR; p. 54 – 55)

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) – (CONTINUED)

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 7.5 percent, as well as what the School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 13,871,088	\$ 8,590,683	\$ 4,177,188

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.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

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

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS’ members retain their existing OPERS accounts, but any future member contributions are deposited into the member’s IAP, not the member’s OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan that is invested in the IAP.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage.

7. LONG-TERM DEBT

At June 30, 2017, Long Term Debt consisted of two loans, one capital lease, and the balance of accumulated unpaid vacation.

Changes in long-term debt and future maturities were as follows:

	Outstanding June 30, 2016	Additions	Deductions	Outstanding June 30, 2017	Due Within One Year
Accumulated Unpaid Vacation	\$ 26,759	\$ -	\$ (5,275)	\$ 21,484	\$ 21,484
De Lage Landen Capital Lease, 2012, original amount \$104,652, fixed rate 3.75%	49,104		(15,764)	33,340	16,360
SELP Loan, June 2012, Original Amount \$750,000, fixed rate 3.25%	596,289	-	(45,138)	551,151	46,580
Umpqua Loan, Original Amount \$120,000	96,639	-	(23,304)	73,336	23,869
Totals	<u>\$ 768,791</u>	<u>\$ -</u>	<u>\$ (89,481)</u>	<u>\$ 679,311</u>	<u>\$ 108,293</u>

*Capital Lease – The District’s capital lease is for the purchase of a school bus. The gross amount of the purchase was \$104,652. The District has capitalized the bus and is depreciating it over a period of 20 years. At June 30, 2017, accumulated depreciation was \$31,395 and the net carrying value was \$73,256.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONT.)

Future maturities of all long-term obligations outstanding as of June 30, 2017 (other than accumulated unpaid vacation) are as follows:

Year	De Lage Landen C.L.		SELP Loan 2012		Umpqua Loan 2015		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017-2018	16,360	1,098	46,580	17,224	23,869	1,605	86,809	19,927
2018-2019	16,980	479	48,116	15,688	24,441	1,033	89,536	17,200
2019-2020	-	-	49,669	14,135	25,026	447	74,695	14,582
2020-2021	-	-	51,374	12,430	-	-	51,374	12,430
2021-2022	-	-	53,037	10,767	-	-	53,037	10,767
2022-2027	-	-	292,607	26,412	-	-	292,607	26,412
2027-2028	-	-	9,768	26	-	-	9,768	26
Totals	\$ 33,340	\$ 1,577	\$ 551,151	\$ 96,682	\$ 73,336	\$ 3,084	\$ 657,827	\$ 101,344

8. PROPERTY TAX LIMITATION

The State of Oregon imposes a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to \$4.8880 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 requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling 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 State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES

Substantially all amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

A substantial portion of operating funding is received 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 increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the operations cannot be determined.

As public employees retire, the PERS system reviews their complete employment history to verify that all of their previous public employers have contributed the correct amount to their pensions. When PERS becomes aware of unpaid pension amounts by an employer from previous years, the amount owed becomes due immediately and the total liability (plus interest) is added to the next invoice. The District is not currently aware of any material unpaid pension contributions from previous years.

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CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
For the fiscal year ended June 30, 2017

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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) District's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.06 %	\$ 8,590,683	\$ 3,566,381	240.9 %	80.5 %
2016	0.06	3,765,481	3,479,712	108.2	91.2
2015	0.06	(1,451,297)	3,251,604	(44.6)	103.6
2014	0.06	3,267,363	3,198,755	102.1	92.0

The amounts presented for each fiscal year were actuarially 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.

SCHEDULE OF CONTRIBUTIONS

	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
2017	\$ 738,192	\$ 738,192	\$ -	\$ 3,744,700	19.7 %
2016	714,940	714,940	-	3,566,381	20.0
2015	734,788	734,788	-	3,479,712	21.1
2014	690,225	690,225	-	3,251,604	21.2

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.

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2017

GENERAL FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
1000 Local Sources	\$ 3,152,866	\$ 3,152,866	\$ 3,142,132	\$ (10,734)
2000 Intermediate Sources	50,126	50,126	31,900	(18,226)
3000 State Sources	3,587,847	3,587,847	3,614,208	26,361
4000 Federal Sources	42,000	42,000	4,909	(37,091)
Total Revenues	<u>6,832,839</u>	<u>6,832,839</u>	<u>6,793,148</u>	<u>(39,691)</u>
EXPENDITURES:				
1000 Instruction	3,846,149	3,846,149 (1)	3,774,268	71,881
2000 Support Services	2,947,179	2,947,179 (1)	2,916,995	30,184
3000 Enterprise and Community Services	79,256	79,256 (1)	70,184	9,072
5000 Debt Service	106,726	106,726 (1)	106,736	(10)
Contingencies	100,000	100,000 (1)	-	100,000
Total Expenditures	<u>7,079,310</u>	<u>7,079,310</u>	<u>6,868,182</u>	<u>211,128</u>
Excess of Revenues Over (Under) Expenditures	(246,471)	(246,471)	(75,034)	171,437
OTHER FINANCING SOURCES (USES)				
5200 Transfers In	-	-	9,205	9,205
5200 Transfers Out	(53,529)	(53,529) (1)	(43,415)	10,114
Total Other Financing Sources (Uses)	<u>(53,529)</u>	<u>(53,529)</u>	<u>(34,210)</u>	<u>19,319</u>
Net Change in Fund Balance	(300,000)	(300,000)	(109,244)	190,756
Beginning Fund Balance	<u>300,000</u>	<u>300,000</u>	<u>319,472</u>	<u>19,472</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,228</u>	<u>\$ 210,228</u>

(1) Appropriation level

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2017

	<u>SPECIAL REVENUE FUND</u>			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
1000 Local Sources	\$ 321,718	\$ 321,718	\$ 273,801	\$ (47,917)
3000 State Sources	3,503	3,503	6,983	3,480
4000 Federal Sources	739,867	767,169	772,422	5,253
Total Revenues	<u>1,065,088</u>	<u>1,092,390</u>	<u>1,053,206</u>	<u>(39,184)</u>
EXPENDITURES:				
1000 Instruction	987,143	1,000,230 (1)	765,639	234,591
2000 Support Services	59,405	73,620 (1)	42,241	31,379
3000 Enterprise and Community Services	268,864	268,864 (1)	286,721	(17,857)
4000 Facilities Construction	39,090	39,090 (1)	-	39,090
Total Expenditures	<u>1,354,502</u>	<u>1,381,804</u>	<u>1,094,601</u>	<u>287,203</u>
Excess of Revenues Over, -Under Expenditures	(289,414)	(289,414)	(41,395)	248,019
Other Financing Sources, - Uses:				
Transfers In	53,529	53,529	43,415	(10,114)
Transfers Out	(9,205)	(9,205) (1)	(9,205)	-
Total Other Financing Sources, -Uses	44,324	44,324	34,210	(10,114)
Net Change in Fund Balance	(245,090)	(245,090)	(7,185)	237,905
Beginning Fund Balance	<u>245,090</u>	<u>245,090</u>	<u>229,127</u>	<u>(15,963)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,942</u>	<u>\$ 221,942</u>

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2017

COBRA STUDENT ENTERPRISES FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
1000 Local Sources				
1990 Miscellaneous	\$ 5,000	\$ 5,000	\$ 4,119	\$ (881)
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>4,119</u>	<u>(881)</u>
EXPENDITURES:				
3000 Community Services				
300 Contracted Services	850	850	1,800	(950)
400 Materials and Services	4,666	4,666	3,096	1,570
Total Expenditures	<u>5,516</u>	<u>5,516 (1)</u>	<u>4,896</u>	<u>620</u>
Net Change in Fund Balance	(516)	(516)	(777)	(261)
Beginning Fund Balance	<u>516</u>	<u>516</u>	<u>2,871</u>	<u>2,355</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,094</u>	<u>\$ 2,094</u>

(1) Appropriation Level

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
 OF TAXES UNCOLLECTED
 For the Year Ended June 30, 2017

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED At 7/1/16	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/17
<u>GENERAL FUND</u>						
Current:						
2016-17	\$ 3,032,436	\$ 78,334	\$ (6,932)	\$ 1,509	\$ 2,848,292	\$ 100,387
Prior Years:						
2015-16	109,774	(1)	(12,057)	3,365	37,114	63,969
2014-15	64,787	-	(3,578)	3,265	17,900	46,574
2013-14	44,580	-	(4,309)	4,058	13,973	30,356
2012-13	26,552	-	(2,435)	2,221	6,311	20,027
2011-12 & prior	51,065	-	(1,349)	891	1,301	49,306
Total Prior	296,758	(1)	(23,728)	13,800	76,599	210,232
Total General Fund	<u>\$ 3,329,194</u>	<u>\$ 78,333</u>	<u>\$ (30,660)</u>	<u>\$ 15,309</u>	<u>\$ 2,924,891</u>	<u>\$ 310,619</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 2,924,891
Other Taxes	46,454
Total Revenue	<u>\$ 2,971,345</u>

REVENUE BY FUND:

Current Taxes - General Fund	\$ 2,885,734
Prior Taxes - General Fund	85,611
Total Revenue	<u>\$ 2,971,345</u>

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CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

OTHER INFORMATION

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**CENTRAL LINN SCHOOL DISTRICT NO. 552 C
2016-17 REVENUE SUMMARY BY FUNCTION**

Revenue from Local Sources

	General
1111 Current Taxes	\$2,885,734
1112 Prior Taxes	85,611
1312 Tuition from Other Districts within the State	14,654
1510 Earnings on Investments	12,636
1710 Admissions	10,214
1740 Fees	35,720
1910 Building Rentals	3,166
1920 Contributions/Donations	215
1990 Miscellaneous	94,184
Total Revenue from Local Sources	\$3,142,132

Revenue from Intermediate Sources

	General
2200 ESD Handicapped	\$31,900
Total Revenue from Intermediate Sources	\$31,900

Revenue from State Sources

	General
3101 State School Fund - General Support	\$3,237,985
3103 Common School Fund	83,132
3104 State Managed County Timber	28,922
3199 Other Unrestricted Grants-in-Aid	38,137
3299 Other Restricted Grants-in-Aid	226,031
Total Revenue from State Sources	\$3,614,208

Revenue from Federal Sources

	General
4500 Restricted Revenue From the Federal Government Through the State	\$1,510
4801 Federal Forest Fees	3,399
Total Revenue from Federal Sources	\$4,909

Grand Totals

Grand Totals	\$6,793,148
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**CENTRAL LINN SCHOOL DISTRICT NO. 552 C
2016-17 EXPENDITURES BY FUNCTION/OBJECT**

General Fund

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-3	1,336,958	853,875	427,069	25,772	30,243	-	-	-
1131 High School Programs	1,537,473	956,447	513,365	32,545	33,378	-	1,738	-
1132 High School Extracurricular	152,710	81,899	23,425	40,853	4,583	-	1,950	-
1140 Pre-K Programs	16,881	5,577	2,140	7,642	1,522	-	-	-
1210 Programs for the Talented and Gifted	5,052	2,500	1,297	1,020	235	-	-	-
1220 Special Ed Programs	590,757	360,764	204,704	16,805	6,599	-	1,885	-
1280 Alternative Education	26,268	700	412	25,157	-	-	-	-
1291 English Second Language Programs	108,168	67,190	35,021	27	5,930	-	-	-
Total Instruction Expenditures	\$ 3,774,268	\$ 2,328,952	\$ 1,207,431	\$ 149,822	\$ 82,490	\$ -	\$ 5,573	\$ -
Support Services Expenditures								
2120 Guidance Services	168,847	41,291	27,070	95,050	3,934	-	1,503	-
2130 Health Services	60,565	33,950	21,478	1,465	3,671	-	-	-
2140 Psychological Services	7,793	-	-	7,793	-	-	-	-
2150 Speech Pathology and Audiology Services	62,331	-	-	62,331	-	-	-	-
2222 Education Media Service	55,768	21,543	23,518	499	10,127	-	80	-
2310 Board of Education Services	137,888	36,786	19,081	56,987	3,131	-	21,903	-
2320 Executive Administration Services	237,338	145,721	68,190	15,480	3,969	-	3,978	-
2410 Office of the Principal Services	581,170	377,044	183,911	4,720	8,645	-	6,851	-
2520 Fiscal Services	136,849	86,400	40,808	1,551	593	-	7,496	-
2540 Operation and Maintenance of Plant Services	727,972	183,578	96,179	342,507	34,300	11,019	60,389	-
2550 Pupil Transportation	589,259	293,380	186,254	85,427	10,356	-	13,843	-
2640 Staff Services	6,594	3,641	2,953	-	-	-	-	-
2660 Technology Services	132,784	25,498	14,110	38,286	5,263	49,475	150	-
2700 Supplemental Retirement	11,838	-	11,838	-	-	-	-	-
Total Support Services Expenditures	\$ 2,916,995	\$ 1,248,832	\$ 695,391	\$ 712,096	\$ 83,989	\$ 60,494	\$ 116,193	\$ -
Enterprise and Community Services Expenditures								
3300 Community Services	70,184	39,408	20,749	968	9,058	-	-	-
Total Enterprise and Community Services Expenditures	\$ 70,184	\$ 39,408	\$ 20,749	\$ 968	\$ 9,058	\$ -	\$ -	\$ -
Other Uses Expenditures								
5100 Debt Service	106,736	-	-	-	-	-	106,736	-
5200 Transfers of Funds	43,415	-	-	-	-	-	-	43,415
Total Other Uses Expenditures	\$ 150,151	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,736	\$ 43,415
Grand Total	\$ 6,911,597	\$ 3,617,192	\$ 1,923,571	\$ 862,886	\$ 175,537	\$ 60,494	\$ 228,502	\$ 43,415

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS

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December 18, 2017

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Central Linn School District as of and for the year ended June 30, 2017, and have issued our report thereon dated December 18, 2017. 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 Central Linn 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, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, 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 Central Linn School District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

1. There were two instances where the district overspent appropriations, as noted on page 16.

OAR 162-10-0230 Internal Control

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

This report is intended solely for the information and use of the board of directors and management of Central Linn School District 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 the first name "Ken" and the last name "Allen" clearly distinguishable.

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

**CENTRAL LINN SCHOOL DISTRICT
LINN COUNTY, OREGON**

GRANT COMPLIANCE REVIEW

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CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

	PASS-THROUGH AGENCY	CFDA NUMBER	STATE ID NUMBER	GRANT PERIOD	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
US DEPARTMENT OF EDUCATION						
Rural Education	Direct Award	84.358	N/A	7/1/16-9/30/17	\$ 18,110	-
Title I Grants to Local Education Agencies	Oregon Department of Education	84.010	41022 & 41826	7/1/16-9/30/17	353,313	-
Special Education Cluster:						
IDEA Enhancement	Oregon Department of Education	84.027	42607	7/1/16-6/30/17	1,591	-
SPR&I	Oregon Department of Education	84.027	40778	7/1/16-6/30/17	1,510	-
IDEA 611	Linn-Benton-Lincoln ESD	84.027	41554	7/1/16-9/30/17	97,831	-
IDEA 619	Linn-Benton-Lincoln ESD	84.173	40626	7/1/16-9/30/17	431	-
Total Special Education Cluster					<u>101,364</u>	-
Supporting Effective Education State Grants	Oregon Department of Education	84.367	41277	7/1/16-9/30/17	37,217	-
Carl Perkins Vocational Education	Linn Benton Community College	84.048	unknown	7/1/16-6/30/17	5,705	-
TOTAL US DEPARTMENT OF EDUCATION					<u>515,789</u>	-
US DEPARTMENT OF AGRICULTURE						
Child Nutrition Cluster:						
School Breakfast Program	Oregon Department of Education	10.553	2203003	7/1/16-6/30/17	65,934	-
National School Lunch Program	Oregon Department of Education	10.555	2203003	7/1/16-6/30/17	130,948	-
Summer Food Service Program for Children	Oregon Department of Education	10.559	2203003	7/1/16-6/30/17	5,832	-
Commodities - NSLP	Oregon Department of Education	10.555	2203003	7/1/16-6/30/17	11,180	-
Total Child Nutrition Cluster					<u>213,815</u>	-
Schools and Roads - Grants to States	Linn County	10.665	99140620-R503	7/1/16-6/30/17	3,399	-
TOTAL US DEPARTMENT OF AGRICULTURE					<u>217,214</u>	-
US DEPARTMENT OF JUSTICE						
Public Safety Partnerships and Community Policing Grants	Direct Award	16.710	143320	7/1/16-6/30/17	44,407	-
TOTAL FEDERAL FINANCIAL EXPENDITURES					<u>\$ 777,331</u>	-

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December 18, 2017

To the Board of Directors
Central Linn School District
Linn 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 and each major fund of Central Linn School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 18, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

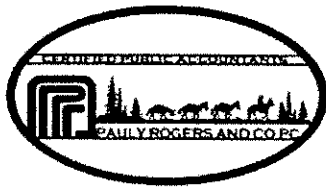
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control or on compliance. This report is an integral part of an audit performed in accordance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



Kenneth Allen, CPA

Municipal Auditor

PAULY, ROGERS AND CO., P.C.



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December 18, 2017

To the Board of Directors
Central Linn School District
Linn County, Oregon

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR 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 Central Linn 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, 2017. 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, Central Linn 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, 2017.

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.



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

**CENTRAL LINN SCHOOL DISTRICT
LINN COUNTY, OREGON**

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

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 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 the Uniform Guidance? yes no

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM CLUSTER</u>
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes no

**CENTRAL LINN SCHOOL DISTRICT
LINN COUNTY, OREGON**

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None

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 elected to not use the ten percent de minimus indirect cost rate as allowed under Uniform Guidance, due to the fact that it already has a negotiated indirect cost rate with the Oregon Department of Education, and thus is not allowed to use the de minimus rate.