

**LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT**



# *Audit Report*

**2015-2016**



**905 4<sup>th</sup> Avenue SE Albany, OR 97321  
541-812-2600**



LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT

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LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT

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**LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT**

Albany, Oregon

**PRINCIPAL OFFICIALS**

**BOARD OF DIRECTORS**

**TERM EXPIRES**

<b>Zone 1:</b>	Heather Search	June 30, 2017
<b>Zone 2:</b>	Mylrea Estell	June 30, 2017
<b>Zone 3:</b>	Frank Bricker	June 30, 2017
<b>Zone 4:</b>	David Dowrie	June 30, 2017
<b>Zone 5:</b>	Terry Deacon	June 30, 2019
<b>Zone 6:</b>	Jan Doerfler	June 30, 2019
<b>Zone 7:</b>	David Dunsdon, Chair	June 30, 2019

**ADMINISTRATION**

Mary McKay, Superintendent  
Don Dorman, Assistant Superintendent  
Jackie Olsen, Chief Financial Officer

The Board members receive mail at the following address:

LBL ESD  
905 4<sup>th</sup> Avenue Southeast  
Albany, Oregon 97321

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

December 14, 2016

To the Board of Directors  
Linn Benton Lincoln Education Service District

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Linn Benton Lincoln Education Service District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 respective financial position of the governmental activities and each major fund of Linn Benton Lincoln Education Service District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

The District adopted the provisions of GASB Statement No. 72, Fair Value Measurement and Application, for the year ended June 30, 2016. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents and the schedule of expenditures of federal expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents and the schedule of federal expenditures, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Reports on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 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 14, 2016, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



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



LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

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## **LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

As management of Linn Benton Lincoln Education Service District (the District) we offer readers this discussion and analysis of the District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the transmittal letter included in the introductory section of this report and the District's Financial Statements, which follows this MD&A.

### **FINANCIAL HIGHLIGHTS**

- At June 30, 2016, the District's assets and deferred outflows exceeded its liabilities by \$11.5 million (net position).
- The District's total net position decreased by \$7.9 million for the fiscal year primarily due to the implementation of GASB No. 68 and recognition of a Net Pension Liability of \$11.1 million.
- The District has \$6.9 million invested in capital assets, net of depreciation.

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

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

### **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 them reported as net position. All capital assets, long-term liabilities, and general government functions, are shown in the Statement of Net Position.

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

Governmental funds account for the same functions 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 readily be converted to cash.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS (Cont'd)**

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.

### **FUND FINANCIAL STATEMENTS**

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Condensed Statement of Net Position**

	2016	2015	Difference
Assets and Deferred Outflows			
Current assets	\$ 18,828,875	\$ 16,638,510	\$ 2,190,365
Deferred outflows	2,955,014	4,174	2,950,840
Net pension asset	153,814	4,915,626	(4,761,812)
Capital assets (net)	6,958,796	7,758,045	(799,249)
Total Assets and Deferred Outflows	<u>28,896,499</u>	<u>29,316,355</u>	<u>(419,856)</u>
Liabilities and Deferred Inflows			
Current Liabilities	2,820,785	3,034,875	(214,090)
Net pension liability	11,533,368	-	11,533,368
Deferred Inflows	417,982	6,870,244	(6,452,262)
Total Liabilities & Deferred Inflows	<u>3,238,767</u>	<u>9,905,119</u>	<u>(6,666,352)</u>
Net Position			
Net investment in capital assets	6,958,796	7,758,045	(799,249)
Restricted for various purposes	1,427,070	1,028,403	398,668
Unrestricted	3,125,113	10,624,788	(7,499,675)
Total Net Position	<u>\$ 11,510,980</u>	<u>\$ 19,411,235</u>	<u>\$ (7,900,255)</u>

The District's net position decreased by \$7,900,255 during the current fiscal year as reflected above. The statement of activities information shown on the following page explains the change in net position.

## **FUND FINANCIAL STATEMENTS**

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

The District's revenues and expenses for fiscal year 2015-2016, compared to the prior fiscal year, were as follows:

	2016	2015	Difference
Revenues			
Charges for Services	\$ 1,989,774	\$ 2,895,143	\$ (905,369)
Operating Grants	16,982,691	13,676,678	3,306,013
General Revenues			
Property Taxes	6,736,837	6,486,168	250,669
State Revenue Sharing	7,661,469	7,135,674	525,795
Miscellaneous	541,390	4,873,216	(4,331,826)
Total Revenues	<u>33,912,161</u>	<u>35,066,878</u>	<u>(1,154,717)</u>
Expenses			
Instruction	10,623,347	6,673,145	3,950,202
Support Services	24,055,506	15,394,255	8,661,251
Other Uses	7,133,562	6,204,113	929,449
Total Expenses	<u>41,812,415</u>	<u>28,271,513</u>	<u>13,540,902</u>
Change in Net Position	(7,900,225)	6,795,365	(14,695,620)
Beginning Net Position (Restated)*	<u>19,411,235</u>	<u>12,615,872</u>	<u>6,795,363</u>
Ending Net Position	<u>\$ 11,510,980</u>	<u>\$ 19,411,236</u>	<u>\$ (7,900,256)</u>

## **FUND FINANCIAL ANALYSIS**

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unreserved fund balance measures the District's net resources available for appropriation in the next fiscal year. As of June 30, 2016, total fund balance of the governmental funds was \$15,282,259. These amounts are available to use, in accordance with applicable restrictions on the nature of the expenditures.

The total fund balance is allocated among five separate funds and in all but the general fund; the balances are further divided within the fund to provide for specific programs and functions. The general fund is established primarily to receive State School Fund distributions and provide "Resolution Services" for component school districts and general operations.

## **FUND FINANCIAL ANALYSIS (Cont'd)**

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

### Ending Fund Balance

	<u>2016</u>	<u>2015</u>	<u>Change</u>
General Fund	\$ 5,423,702	\$ 4,458,400	\$ 965,302
Capital Projects Fund	904,361	671,516	262,845
Special Revenue Fund	4,008,495	3,402,818	605,677
Special Service Fund	<u>4,945,701</u>	<u>4,808,283</u>	<u>137,418</u>
	<u>\$ 15,282,259</u>	<u>\$ 13,341,017</u>	<u>\$ 1,941,242</u>

The general fund balance increased by \$965,304 due to increased District revenues and the decision to maintain these reserves to offset future program costs. Of the general fund ending fund balance, \$1,291,810 is reserved for future resolution expenditures, up from \$906,877 in 2014-15. The capital projects fund provides for capital improvements and expansion. The special revenue fund primarily receives grant revenues for specific programs. The special service fund primarily receives contracted revenues to provide for services contracted by component and non-component school districts.

## **CAPITAL ASSETS**

At June 30, 2016 the District had \$6,958,796 invested in broad range of capital assets, including land, building, equipment and intangible assets including the District's investment in the Student Information System software and website. Additions to fixed assets in 2015-16 were to replace and upgrade various network and equipment items.

## **ECONOMIC FACTORS AND THE 2016-17 BUDGET**

The budget for 2016-2017 has total appropriations of \$56,710,925. Operating resources and uses are expected to be similar to the current year. The District's finances are significantly impacted by the economic conditions in the State of Oregon and the State's General Fund Budget. The current economic forecast in Oregon indicates resources have stabilized and modest growth may occur over the next biennium. The District will continue to identify efficiencies and cost saving measures while monitoring the ever changing economic climate to insure continued support to our component school districts and the students we collectively serve.

## **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 the Business Services Department at the Linn Benton Lincoln Education Service District, our address is: 905 4<sup>th</sup> Avenue Southeast, Albany, Oregon 97321.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

BASIC FINANCIAL STATEMENTS

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LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

STATEMENT OF NET POSITION  
June 30, 2016

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	13,759,705
Property Taxes and other Receivables		5,069,170
Prepaid Expense		2,152
Total Current Assets		<u>18,831,027</u>

Other Assets:

Net Pension Asset	\$	153,814
Capital Assets, Net of Depreciation		6,958,796
Total Other Assets		<u>7,112,610</u>

DEFERRED OUTFLOWS OF RESOURCES:

Net Deferred Pension Expense		<u>2,952,862</u>
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Total Assets and Deferred Outflows

\$	<u>28,896,499</u>
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LIABILITIES:

Accounts Payable	\$	1,357,931
Accrued Payroll, Taxes, and Employee Withholdings		1,250,189
Accrued Vacation		212,665
Unearned Revenue		417,982
Proportionate Share of Net Pension Liability		11,533,368
Total Liabilities	\$	<u>14,772,135</u>

DEFERRED INFLOWS OF RESOURCES:

Net Deferred Pension Asset	\$	<u>2,613,384</u>
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NET POSITION:

Invested in Capital Assets	\$	6,958,796
Restricted		1,427,070
Unrestricted		<u>3,125,113</u>
Total Net Position	\$	<u>11,510,979</u>

The accompanying notes are an integral part of this statement.

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LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 10,623,347	\$ 586,665	\$ 5,007,365	\$ (5,029,317)
Support Services	24,055,506	1,403,035	11,975,324	(10,677,147)
Other uses	<u>7,133,562</u>	<u>-</u>	<u>-</u>	<u>(7,133,562)</u>
Total Governmental Activities	<u>\$ 41,812,415</u>	<u>\$ 1,989,700</u>	<u>\$ 16,982,690</u>	<u>\$ (22,840,026)</u>

General Revenues

Taxes:	
Property Taxes, Levied for General Purposes	6,736,837
State Revenue Sharing	7,661,469
Revenues Not Restricted to Specific Programs	
Intermediate	58,376
Interest and Investment Earnings	88,814
Miscellaneous	81,337
Medicaid	<u>312,938</u>
Total General Revenues	<u>14,939,770</u>
Changes in Net Position	(7,900,255)
Net Position - Beginning of Year as Restated	<u>19,411,235</u>
Net Position - Ending	<u>\$ 11,510,979</u>

The accompanying notes are an integral part of this statement.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	GENERAL FUND	CAPITAL PROJECTS FUND
	<u>                    </u>	<u>                    </u>
ASSETS AND DEFERRED OUTFLOWS:		
Current Assets:		
Cash and Cash Equivalents	\$ 6,859,556	\$ 904,361
Property Taxes and other Receivables	559,415	-
Prepaid	2,152	-
	<u>                    </u>	<u>                    </u>
Total Assets and Deferred Outflows	<u>\$ 7,421,122</u>	<u>\$ 904,361</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 96,266	\$ -
Accrued Payroll, Taxes, and Employee Withholdings	1,253,488	-
Unearned Revenue	125,000	-
	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>1,474,755</u>	<u>-</u>
Deferred Inflows:		
Unavailable Property Tax Revenue	522,665	-
	<u>                    </u>	<u>                    </u>
Total Deferred Inflows	<u>522,665</u>	<u>-</u>
Fund Balances (Deficit):		
Nonspendable	2,152	-
Restricted	671,800	-
Committed	-	-
Assigned	646,551	904,361
Unassigned	4,103,200	-
	<u>                    </u>	<u>                    </u>
Total Fund Balances (Deficit)	<u>5,423,702</u>	<u>904,361</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 7,421,122</u>	<u>\$ 904,361</u>

The accompanying notes are an integral part of this statement.

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SPECIAL REVENUE FUND	SPECIAL SERVICE FUND	TOTALS
\$ 937,756	\$ 5,058,032	\$ 13,759,705
4,425,632	84,124	5,069,170
-	-	2,152
<u>\$ 5,363,387</u>	<u>\$ 5,142,156</u>	<u>\$ 18,831,026</u>
\$ 1,086,832	\$ 174,833	\$ 1,357,931
(3,299)	-	1,250,189
271,361	21,622	417,982
<u>1,354,893</u>	<u>196,455</u>	<u>3,026,102</u>
-	-	522,665
-	-	522,665
-	-	2,152
755,271	-	1,427,070
2,177,103	1,936,722	4,113,825
1,076,121	3,008,979	5,636,012
-	-	4,103,200
<u>4,008,495</u>	<u>4,945,701</u>	<u>15,282,259</u>
<u>\$ 5,363,387</u>	<u>\$ 5,142,156</u>	<u>\$ 18,831,026</u>

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016

	GENERAL FUND	CAPITAL PROJECTS FUND
REVENUES:		
Taxes	\$ 6,707,176	\$ -
Federal Sources	-	-
State and Local Sources	67,479	19,902
State Revenue Sharing	7,661,469	-
Charges for Services	1,411,906	-
Earnings from Investments	88,814	-
Intermediate Sources	-	-
Medicaid	-	-
Miscellaneous	39,260	-
	<u>15,976,104</u>	<u>19,902</u>
Total Revenues		
	<u>15,976,104</u>	<u>19,902</u>
EXPENDITURES:		
Current:		
Instruction	193,633	-
Support Services	8,662,967	-
Building Acquisition Construction & Improvement	-	90,716
Capital Outlay	48,286	46,341
	<u>8,904,886</u>	<u>137,058</u>
Total Expenditures		
	<u>8,904,886</u>	<u>137,058</u>
Revenues over (under) Expenditures	<u>7,071,218</u>	<u>(117,155)</u>
Other Financing Sources, (uses):		
Transfers In	90,000	350,000
Transfers Out	(5,095,914)	-
Transits	(1,100,000)	-
	<u>(6,105,914)</u>	<u>350,000</u>
Total other Financing Sources (uses)		
	<u>(6,105,914)</u>	<u>350,000</u>
Net Change in Fund Balance	965,304	232,845
Beginning Fund Balance	<u>4,458,398</u>	<u>671,516</u>
Ending Fund Balance	<u>\$ 5,423,702</u>	<u>\$ 904,361</u>

The accompanying notes are an integral part of this statement.

SPECIAL REVENUE FUND	SPECIAL SERVICE FUND	TOTALS
\$ -	\$ -	\$ 6,707,176
6,677,214	-	6,677,214
8,437,921	1,780,173	10,305,476
-	-	7,661,469
-	577,794	1,989,700
-	-	88,814
58,376	-	58,376
312,938	-	312,938
37,653	4,423	81,337
15,524,102	2,362,390	33,882,499
6,996,378	90,237	7,280,248
2,223,045	6,525,006	17,411,018
21,800	-	90,716
9,241,223	6,615,243	116,428
6,282,879	(4,252,853)	24,898,410
265,643	4,512,714	8,984,089
-	(122,443)	5,218,357
(5,942,845)	-	(5,218,357)
(5,677,202)	4,390,271	(7,042,845)
605,677	137,418	1,941,244
3,402,818	4,808,283	13,341,015
\$ 4,008,495	\$ 4,945,701	\$ 15,282,259

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LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

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

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Total Fund Balances - Governmental Funds	\$	15,282,259
------------------------------------------	----	------------

The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the District as a whole.

Net Capital Assets	6,958,796
--------------------	-----------

The Net Pension Asset (Liability), and deferred inflows and outflows related to the Net Pension Asset is the difference between the total pension liability and assets set aside to pay benefits earned to past and current employees and beneficiaries	(11,193,890)
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------

Deferred Revenue Related to Property Taxes	522,665
--------------------------------------------	---------

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Position.

Long-Term Liabilities		
Vested Compensated Absences	\$	(212,665)
Early Retirement	<u>153,814</u>	
Total Adjustment for Long-Term Liabilities		<u>(58,851)</u>

Total Net Position	<u>\$</u>	<u>11,510,979</u>
--------------------	-----------	-------------------

The accompanying notes are an integral part of this statement.

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LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
For the Year Ended June 30, 2016

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Total Net Changes in Fund Balances - Governmental Funds	\$	1,941,244
---------------------------------------------------------	----	-----------

Repayment of bond principal, capital leases and post retirement obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Additions to bond principal, capital leases and post retirement obligations add an expense for the Statement of Net Position but not the governmental funds.

Accrued Vacation	13,547	
Accrued Retirement	<u>4,585</u>	18,132

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

Other Capitalized Expenses	691,782	
Depreciation Expense	<u>(1,491,031)</u>	
Total Adjustment for Fixed Assets		(799,249)

The Pension Expense and the changes in deferred inflows and outflows related to the Net Pension Asset represents the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits	(9,090,043)
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------

Deferred property tax adjustment for the current year created a revenue in the Statement of Activities.	<u>29,661</u>
---------------------------------------------------------------------------------------------------------	---------------

Change in Net Assets of Governmental Activities	\$	<u><u>(7,900,255)</u></u>
-------------------------------------------------	----	---------------------------

The accompanying notes are an integral part of this statement.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Linn Benton Lincoln Education Service District (the District) is a municipal corporation governed by an elected seven-member Board of Directors. The Board approves administration officials. The daily functioning of the District is under the supervision of the Superintendent-Clerk. As required by generally accepted accounting principles, all activities of the District have been included in these basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts, which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Position and Statements of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS.

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

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

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest of general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfold 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.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND TYPES

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property tax revenue and proceeds from sale of property are not considered available and, therefore, are not recognized until received. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, interfund transactions, and certain compensated absences and claims and judgments which are recognized as expenditures because they will be liquidated with expendable financial resources.

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

The District reports the following major governmental funds:

GENERAL FUND

This fund accounts for the financial operations of the District not accounted for in any other fund. Principal sources of revenue are property taxes and distributions from the State of Oregon. Expenditures in the fund are made for instructional purposes and related support services.

CAPITAL PROJECTS FUND

This fund is used to account for resources set aside for the purpose of capital improvements and major equipment replacement. The principal revenue source is operating transfers from the General Fund.

Additionally, the government reports the following fund types:

SPECIAL REVENUE FUND

The Special Revenue Fund accounts for revenue and expenditures restricted for specific educational projects or programs. Principal revenue sources are federal grants, and fees from districts for services provided to them. These funds include Unemployment Compensation Fund, State and Federal Grants Fund and Other Grants and Projects Fund.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SPECIAL SERVICE FUND

The Special Service Fund accounts for revenue and expenditures for specific services rendered. The principal resource is fees from districts for services provided to them. Internal services have been deleted to avoid double reporting of revenues and expenditures consistent with the provisions of GASB 34.

ASSETS, LIABILITIES AND NET POSITION OR EQUITY

CASH AND CASH EQUIVALENTS

For financial reporting purposes, the District considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. The State Treasurer's Local Government Investment Pool's fair value per share factor was 100.6% as of June 30, 2016.

PROPERTY TAXES

Uncollected real and personal property taxes are reflected on the statement of net assets and the balance sheet as receivables. 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.

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

GRANTS

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

INVENTORIES

The District does not consider supply inventories to be material and does not record them as an asset on the balance sheet. Supplies are expensed immediately when they are purchased.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS

Capital assets, which include land, buildings, equipment and construction in progress, are reported in the government wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost. Donated Capital assets are recorded at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Depreciation is recorded on Capital assets using the straight-line method over the following useful lives:

Buildings and Improvements	15-150 years
Improvements Other Than Building	5-15 years
Equipment	3-15 years
Vehicles	8 years
Intangible Assets	9 years

COMPENSATED ABSENCES

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

LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND EQUITY

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

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

NET POSITION

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

Invested in capital assets – consists of all capital assets, net of accumulated depreciation.

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.



LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET POSITION (continued)

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

NET POSITION FLOW ASSUMPTION

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

ESTIMATES

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

DEFERRED OUTFLOW/INFLOW OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The ESD has only one type of item which qualifies for reporting in this category. Accordingly, the item, which reclassifies PERS employer contributions from expense to deferred outflows, is reported only in the governmental funds balance sheet.

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 ESD has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government wide statement of net position reports these amounts as the Net Deferred Pension Asset.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RETIREMENT PLANS

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

FAIR VALUE INPUTS, METHODOLOGIES AND HIERARCHY

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

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

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

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

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by the Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles, except that capital outlay expenditures, including items below the District's capitalization level, are budgeted by function in the governmental fund types.

The District begins its budgeting process by appointing Budget Committee members in early fall. Budget recommendations are developed by management through spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June, and the hearing is held in June. The budget is adopted, appropriations are made and the tax levy is declared no later than June 30. Expenditure budgets are appropriated at the major function level (instruction, support services, community services, debt service, contingency, and transfers) for each fund. Expenditure appropriations may not legally be over expended, except in the case of grant receipts, which could not be reasonably estimated at the time, the budget was adopted.

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 the fund's original budget may be adopted by the Board of Directors at a regular meeting. A supplemental budget greater than 10% of the 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). Such transfers require approval by the Board.

During the year ended June 30, 2016, one appropriation transfer occurred and was adopted by the Board. Budget amounts shown in the basic financial statements include the original budget amounts and the final budget appropriations approved by the Board. Appropriations lapse at the end of each fiscal year.

Expenditures of the various funds were within authorized appropriations.

3. BUDGET/GAAP REPORTING DIFFERENCES

While the District reports financial position, results of operations, and changes in fund balance/net assets on the basis of accounting principles generally accepted in the United States of America (GAAP), the District's budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The primary difference between the District's budgetary basis and GAAP basis is the classification of capital outlay, which for budgetary purposes is reported within the functional categories at the level of appropriation control. On a GAAP basis capital outlay is separately reported after current expenditures.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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4. CASH AND INVESTMENTS

Statutes authorize the District to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool. According to District Procedures State statutes govern the District's cash management policies.

Investments

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

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

		<u>2016</u>
Petty Cash	\$	417
Deposits with Financial Institutions:		
Demand Deposits		799,277
Investments		<u>12,960,011</u>
Total	\$	<u><u>13,759,705</u></u>

The District had the following investments and maturities:

Investment Type	<u>Fair Value</u>	<u>Less Than 3</u>	<u>More Than 3</u>
State Treasurer's Investment Pool	\$ 12,960,011	\$ 12,960,011	\$
Total	<u>\$ 12,960,011</u>	<u>\$ 12,960,011</u>	<u>\$ -</u>

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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4. CASH AND INVESTMENTS (Cont'd)

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. The District does not have any investments that exceed an 18 month maturity.

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.

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

Concentration of Credit Risk

In the case of deposits, there is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, the District had \$1,338,844 of deposits in accounts insured by the FDIC. \$250,000 of the balance is covered by FDIC insurance and the remainder is collateralized by the Oregon Public Funds Collateralization Program.

5. GRANTS RECEIVABLE

Special revenue fund grants receivable are comprised of claims for reimbursement of costs under various federal and state grant programs.

6. CAPITAL ASSETS

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

	Capital Assets <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Capital Assets <u>June 30, 2016</u>
<b>Fixed Assets</b>				
Land (non-depreciable)	177,840	-	-	177,840
Buildings & Improvements	2,342,290	46,341	22,589	2,366,042
Improvements Other Than Building	285,833	-	-	285,833
Equipment	2,049,236	70,086	5,870	2,113,453
Vehicles	53,796	-	-	53,796
Intangible Assets	11,111,374	575,354	-	11,698,030
	<u>16,031,671</u>	<u>714,136</u>	<u>28,549</u>	<u>16,694,994</u>

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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6. CAPITAL ASSETS (cont'd)

	Capital Assets July 1, 2015	Additions	Deletions	Capital Assets June 30, 2016
<b>Accumulated Depreciation</b>				
Buildings & Improvements	279,797	37,393	22,589	294,602
Improvements Other Than Building	100,179	13,162	-	113,341
Equipment & Vehicles	1,430,897	236,758	5,870	1,661,785
Intangible Assets	6,462,753	1,203,717	-	7,666,470
Total	8,273,626	1,491,031	28,459	9,736,198
<b>Total Net Capital Assets</b>	<b>7,758,045</b>			<b>6,958,796</b>

Depreciation expense for the year ended June 30, 2016 was allocated to the functions as follows:

Instruction	\$ 439,632
Support Services	\$ 1,051,399
Total Depreciation	<u>\$ 1,491,031</u>

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage for any of the past three years.

8. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx). If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
  - i) Pension Benefits. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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8. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (cont'd)

- ii) **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
  - member died within 120 days after termination of PERS covered employment,
  - member died as a result of injury sustained while employed in a PERS-covered job, or member was on an official leave of absence from a PERS-covered job at the time of death.
- iii) **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
- 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:
- ii) **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.
- iii) **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.
- iv) 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.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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8. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (Cont'd)

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.

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

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2016 were \$2,276,386, excluding amounts to fund employer specific liabilities. In addition, the District paid \$661,417 of required employee contributions on the employees' behalf.

Pension Asset or Liability – At June 30, 2016, the District reported a net pension liability of \$11,533,368 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2013, 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 employers, actuarially determined. At December 31, 2013, the District's proportion was 0.20 percent.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 621,938	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,417,655
Changes in proportionate share		161,377
Differences between employer contributions and employer's proportionate share of system contributions	54,538	34,352
District contributions subsequent to measurement date	2,276,386	-
	<hr/>	<hr/>
Net deferred outflow (inflow) of resources	\$ 2,952,862	\$ 2,613,384



LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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8. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (Cont'd)

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

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ (1,041,529)
2018	(1,041,529)
2019	(1,041,529)
2020	1,148,936
2021	38,743
Total	<u>\$ (1,936,908)</u>

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

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financial.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx)

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

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

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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8. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (Cont'd)

Actuarial Methods and Assumptions:

Valuation date	December 31, 2013 rolled forward to June 30, 2016
Experience Study Report	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increase	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service. For COLA. A blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with the Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

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

Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (Cont'd)

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 27,835,354	\$ 11,533,368	\$ (2,204,924)

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

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

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

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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9. OTHER POSTEMPLOYMENT BENEFIT PLAN

Program Eligibility

Current Program Employees hired on and after July 1, 2007 will not be eligible.

Program Eligibility

Transition Year An employee meeting the following eligibility criteria between July 1, 2006 and June 30, 2007, may elect to retire under the prior program by June 30, 2007. Alternatively, such an employee may elect to retire under either the prior or current program no later than June 30, 2008. Eligibility for the transition benefit is the earlier of

- (a) Age 58 and completion of 10 consecutive years of service, or
- (b) Age 55 and completion of 15 consecutive years of service.

Retirement Eligibility Retirement must occur by the end of the fiscal year (June 30) in which the employee meets the eligibility criteria. Special transition rules apply to the 2006-2007 and 2007-2008 fiscal years.

Stipend Benefit Eligible Class of Employees - Administrators, Classified and Licensed employees are eligible for this benefit.

Benefit Start Date The first stipend payment is made on the first District payday following the employee's retirement.

Benefit End Date If monthly payments are elected, the last stipend payment is made in the month preceding the earlier of the participant's 62<sup>nd</sup> birthday, or death. Remaining payments, if any, are paid in a single lump sum.

Benefit Amount

Administrators \$50,000 lump sum or monthly payments equal to the retiree's medical insurance premium until the sum of payments reaches \$50,000 or until the retiree becomes eligible for Medicare coverage. Any amount remaining at Medicare eligibility will be paid in a single payment.

Classified and Licensed Employees \$25,000 lump sum or monthly payments equal to the retiree's medical insurance premium until the sum of payments reaches \$25,000 or until the retiree becomes eligible for Medicare coverage. Any amount remaining at Medicare eligibility will be paid in a single payment.

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

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**9. OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)**

Annual Pension Cost and Net Pension Obligation - The District's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within the parameter of GASB Statement 27 & 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the OPEB obligation at the end of the year:

	2016	2015	2014
Annual required contribution	\$ 22,066	\$ 24,595	\$ 63,601
Interest on net pension obligation	( 4,477)	(1,828)	(1,843)
Adjustment to annual required contribution	14,992	6,120	5,993
Contributions made	( 37,166)	(117,198)	(67,269)
Increase/(Decrease) in net pension obligation	( 4,585)	(88,311)	512
NPO (Asset) at beginning of year	(149,229)	(60,918)	(61,430)
NPO (Asset) at end of year	\$ (153,814)	\$ (149,229)	\$ (60,918)

Actuarial Methods and Assumptions – The annual required contribution (ARC) for the current year was determined as part of the June 30, 2015 actuarial valuation using the entry age normal (level dollar) method. Under this method, the ARC is equal to the Normal Cost and a payment to amortize the Unfunded Actuarial Accrued Liability over a period not to exceed 30 years. Actual contributions may or may not be equal to the ARC in any given year. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 3% compounded annually and a payroll growth rate of 3%, (b) 80% of future retirees electing coverage are assumed to cover a spouse as well, males are assumed to be three years older than their female spouses.; (c) medical costs would increase at 10 percent inflation for the current year, grading down to annual rate of 5 percent after ten years. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates and withdrawal rates, are the same as those used by Oregon PERS. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and (2) actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**9. OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)**

**Funding Status and Funding Progress –**

Actuarial Valuation Date	Actuarial Value of Plan Assets	EAM Actuarial		Unfunded AAL	Funded Ratio	Covered Payroll
		Accrued Liability (AAL)				
6/30/2016	\$	-	\$ 195,985	\$	195,985	0.00% NA
6/30/2015	\$	-	\$ 195,985	\$	195,985	0.00% NA
6/30/2014	\$	-	\$ 480,403	\$	480,403	0.00% NA
6/30/2013	\$	-	\$ 480,403	\$	480,403	0.00% NA
6/30/2012	\$	-	\$ 533,305	\$	533,305	0.00% NA
6/30/2011	\$	-	\$ 533,305	\$	533,305	0.00% NA
6/30/2010	\$	-	\$ 652,725	\$	652,725	0.00% NA
6/30/2009	\$	-	\$ 697,308	\$	697,308	0.00% NA

**10. INTERFUND TRANSFERS**

Transfers are used to fund operations between the funds. Amounts are comprised of the following at June 30, 2016

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 90,000	\$ 5,095,914
Capital Projects	350,000	-
Special Revenue	265,643	-
Special Services	<u>4,512,714</u>	<u>122,443</u>
	\$ <u>5,218,357</u>	\$ <u>5,218,357</u>

**11. PROPERTY TAX LIMITATIONS**

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool 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 \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this 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.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**12. FUND BALANCE CONSTRAINTS**

The specific purposes for each of the categories of fund balance as of June 30, 2016 are as follows:

<b>Fund Balances:</b>	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Special Revenue Fund</b>	<b>Special Service Fund</b>	<b>Total</b>
<b><u>Nonspendable:</u></b>					
Prepaid Expense	\$ 2,152	\$ -	\$ -	\$ -	\$ 2,152
<b><u>Restricted:</u></b>					
Grants and Contracts	-	-	755,271	-	755,271
Future Health Insurance Premiums	671,800	-	-	-	671,800
	671,800	-	755,271	-	1,427,070
<b><u>Committed:</u></b>					
Employee Pension	-	-	785,023	-	785,023
Technology Equipment	-	-	1,324,378	-	1,324,378
Vehicle Replacements	-	-	67,702	-	67,702
Component District Investment	-	-	-	1,936,722	1,936,722
	-	-	2,177,103	1,936,722	4,113,825
<b><u>Assigned:</u></b>					
Component District Collaboration	646,551	-	1,076,121	2,350,296	4,072,968
Capital Projects and Improvements	-	904,361	-	-	904,361
Future Unemployment Costs	-	-	-	658,683	658,683
	646,551	904,361	1,076,121	3,008,979	5,636,012
<b><u>Unassigned</u></b>	4,103,200				4,103,200
<b>Total Fund Balances</b>	<b>\$ 5,423,702</b>	<b>\$ 904,361</b>	<b>\$ 4,008,495</b>	<b>\$ 4,945,701</b>	<b>\$ 15,282,259</b>

**13. COMMITMENTS AND CONTINGENCIES**

The District is involved in various claims and legal matters relating to its operations which have all been tendered to, and are either being adjusted by the District's liability carrier, or are being defended by attorneys retained by the District's liability carrier. The District does not believe that any of these matters will have a material impact on its June 30, 2016 financial statements.

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 the District to either have increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on operations can not be determined.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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14. COMPENSATED ABSENCES

Changes in governmental compensated absences are as follows:

	<b>June 30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2016</b>	<b>Amount Due within one year</b>
Vacation Payable	\$ 226,212	\$ 212,665	\$ 226,212	\$ 212,665	\$ 212,665



LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION  
For the fiscal year ended June 30, 2016

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) covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.20 %	\$ 11,533,368	\$ 10,487,930	110.0 %	91.9 %
2015	0.21 %	(4,766,397)	9,894,037	(48.2) %	103.6 %
2014	0.21 %	10,730,783	9,669,508	108.5 %	92.0 %

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.

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
2016	\$ 2,276,386	\$ 2,276,386	\$ -	\$ 11,184,071	21.7 %
2015	2,257,284	2,257,284	-	10,487,930	22.8 %
2014	2,143,685	2,143,685	-	9,894,037	22.2 %

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.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

Schedule of Funding Progress of the Other Post-Employment Benefits Plan

For the Year Ended June 30, 2016

	2016	2015	2014
Annual required contribution	\$ 22,066	\$ 24,595	\$ 63,601
Interest on net pension obligation	(4,477)	(1,828)	(1,843)
Adjustment to annual required contribution	14,992	6,120	5,993
Annual pension cost	32,581	28,887	67,751
Contributions made	(37,166)	(117,198)	(67,239)
Increase in net pension obligation	(4,585)	(88,311)	512
NPO (Asset) at beginning of year	(149,229)	(60,918)	(61,430)
NPO (Asset) at end of year	\$ (153,814)	\$ (149,229)	\$ (60,918)

**EAM Actuarial**

Actuarial Valuation Date	Actuarial Value of Plan Assets	Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll
6/30/2016	\$ -	\$ 195,985	\$ 195,985	0.00%	NA
6/30/2015	\$ -	\$ 195,985	\$ 195,985	0.00%	NA
6/30/2014	\$ -	\$ 480,403	\$ 480,403	0.00%	NA
6/30/2013	\$ -	\$ 480,403	\$ 480,403	0.00%	NA
6/30/2012	\$ -	\$ 533,305	\$ 533,305	0.00%	NA
6/30/2011	\$ -	\$ 533,305	\$ 533,305	0.00%	NA
6/30/2010	\$ -	\$ 652,725	\$ 652,725	0.00%	NA
6/30/2009	\$ -	\$ 697,308	\$ 697,308	0.00%	NA

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

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

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Revenue from Local Sources:				
Taxes	\$ 6,440,000	6,440,000	\$ 6,707,176	\$ 7,870
Earnings from Investments	70,000	70,000	88,814	12,248
Charges for Services	1,539,359	1,539,359	1,411,906	126,482
Other Local Sources	<u>25,000</u>	<u>25,000</u>	<u>39,260</u>	<u>2,285</u>
Total Local Revenue	<u>\$ 8,074,359</u>	<u>\$ 8,074,359</u>	<u>\$ 8,247,156</u>	<u>\$ 148,885</u>
Revenue from State Sources:				
School Support Fund	\$ 7,494,355	\$ 7,494,355	\$ 7,661,469	\$ (738,648)
Other State Sources	<u>50,000</u>	<u>50,000</u>	<u>67,479</u>	<u>42,190</u>
Total State Revenue	<u>\$ 7,544,355</u>	<u>\$ 7,544,355</u>	<u>\$ 7,728,948</u>	<u>\$ (696,459)</u>
Total Revenue	<u>\$ 15,618,714</u>	<u>\$ 15,618,714</u>	<u>\$ 15,976,104</u>	<u>\$ (547,574)</u>

Continued on pages 37 and 37A

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGETARY BASIS  
For the Year Ended June 30, 2016

	<u>GENERAL FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>
INSTRUCTION:				
Special Programs:				
1250 Less Restricted - Stds w/ Disabilities	\$ 194,966	\$ 205,636	\$ 115,378	\$ 61,108
Total Instruction	\$ 194,966	\$ 205,636 (1)	\$ 115,378	\$ 61,108
SUPPORT SERVICES:				
Instructional Staff Support				
2110 Attendance and Social Work	\$ 156,718	\$ 156,718	\$ 84,047	47,678
2140 Psychological Services	2,909,941	2,899,271	1,614,574	817,548
2210 Improvement of Instructional Services	220,132	220,682	109,013	58,505
2220 Educational Media Services	256,928	250,578	128,887	68,061
2240 Educational Staff Development	-	5,800	1,800	478
Central Activities Support Services:				
2310 Board of Education Services	121,300	121,300	-	-
2320 Executive Administration Services	674,700	674,700	379,463	224,798
2640 Human Resources	480,205	480,205	255,413	143,109
2660 Technology Services	3,657,569	3,647,569	1,175,869	625,738
Business Support Services:				
2510 Direction of Business Support Services	238,129	238,129	135,818	72,714
2520 Fiscal Services	585,959	585,959	211,471	116,616
2540 Operation & Maintenance of Plant Services	459,182	459,182	127,250	67,788
2570 Internal Services	47,214	47,214	14,494	10,867
Total Support Services	\$ 9,807,977	\$ 9,787,307 (1)	\$ 4,238,098	\$ 2,253,902
6110 Contingency	\$ 930,000	\$ 930,000 (1)	\$ 9	\$ -
Total Expenditures	10,932,943	10,922,943	4,353,485	2,315,011
Excess of Revenues over, (under) Expenditures	4,685,771	4,695,771		
Other Financing Sources, (uses):				
5200 Transfers In	90,000	90,000		
5200 Transfers Out	(5,260,240)	(5,260,240) (1)		
5300 Apportionment of Funds by ESD	(1,100,000)	(1,100,000) (1)		
Total other Financing Sources, (uses)	(6,270,240)	(6,270,240)		
Net Change in Fund Balance	(1,584,469)	(1,574,469)		
Beginning Fund Balance	3,584,469	3,584,469		
Ending Fund Balance	\$ 2,000,000	\$ 2,010,000		

(1) Appropriation Level

					VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
<u>PURCHASED SERVICES</u>	<u>SUPPLIES &amp; MATERIALS</u>	<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>	<u>TOTAL</u>	
\$ 4,058	\$ 2,184	\$ -	\$ 10,905	\$ 193,633	\$ 12,003
\$ 4,058	\$ 2,184	\$ -	\$ 10,905	\$ 193,633	\$ 12,003
\$ 7,379	\$ 507	\$ -	\$ 7,905	\$ 147,516	\$ 9,202
120,798	77,494	-	148,276	2,778,688	120,583
9,838	18,751	-	10,982	207,090	13,592
9,535	4,184	-	5,262	215,930	34,648
100	2,453	-	271	5,102	698
75,829	2,424	-	4,516	82,769	38,531
39,969	14,983	-	14,179	673,393	1,307
45,592	14,538	-	1,515	460,166	20,039
255,543	732,697	48,286	153,898	2,992,031	655,538
12,832	45	-	-	221,409	16,720
38,245	13,854	-	112,915	493,101	92,858
189,162	18,616	-	3,316	406,132	53,050
1,084	-	-	1,481	27,926	19,288
\$ 805,905	\$ 900,546	\$ 48,286	\$ 464,516	\$ 8,711,253	\$ 1,076,054
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 930,000
809,962	902,731	48,286	475,420	8,904,886	2,018,057
				7,071,218	2,375,447
				90,000	-
				(5,095,914)	164,326
				(1,100,000)	-
				(6,105,914)	164,326
				965,304	2,539,773
				4,458,398	(561,063)
				\$ 5,423,702	\$ 1,694,875

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LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

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

<u>SPECIAL REVENUE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
From Local Sources:				
Provided by other Local Education Agencies	\$ 38,181	\$ 38,181	\$ 43,066	\$ 4,885
Medicaid	429,255	429,255	312,938	(116,317)
Provided by other Funds within District	-	-	-	-
Other Miscellaneous	-	-	37,653	37,653
Total from Local Sources	<u>467,436</u>	<u>467,436</u>	<u>393,658</u>	<u>(73,778)</u>
From Intermediate Sources:				
Restricted Revenue	<u>87,500</u>	<u>87,500</u>	<u>58,376</u>	<u>(29,124)</u>
From State Sources:				
Restricted Revenue	<u>8,257,635</u>	<u>8,257,635</u>	<u>8,394,855</u>	<u>137,220</u>
From Federal Sources				
Restricted Revenue Paid through State	<u>6,857,518</u>	<u>6,857,518</u>	<u>6,677,214</u>	<u>(180,304)</u>
Total Revenues	<u>\$ 15,670,089</u>	<u>\$ 15,670,089</u>	<u>\$ 15,524,102</u>	<u>\$ (145,987)</u>

Continued on pages 39 and 39A

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF EXPENDITURES BY OBJECT  
BUDGETARY BASIS  
For the Year Ended June 30, 2016

<u>SPECIAL REVENUE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>
INSTRUCTION:				
1220 Special Program for Disabled Students	\$ 1,257,704	\$ 1,257,704	\$ 682,244	\$ 335,631
1260 Early Intervention	4,300,180	4,300,180	2,190,819	1,229,395
1280 Alternate Education	1,232,984	1,232,984	786,209	385,109
1290 Other Education Programs	463,058	463,058	-	-
Total Instruction	<u>7,253,926</u>	<u>7,253,926 (1)</u>	<u>3,659,272</u>	<u>1,950,135</u>
SUPPORT SERVICES:				
2110 Attendance and Social Work Services	242,500	242,500	92,697	45,424
2120 Guidance Services	453,934	453,934	191,663	101,500
2130 Health Services	311,953	311,953	115,225	63,756
2150 Speech Pathology & Audiology Services	101,712	101,712	5,075	2,044
2160 Other Student Treatment Services	764,021	764,021	390,376	209,636
2190 Student Support Services	8,952	8,952	-	-
2210 Instructional Services	1,500	1,500	-	-
2240 Instructional Staff Development	505	505	-	-
2310 Board of Education Services	298,666	298,666	-	-
2410 Office of the Principal	328,179	328,179	138,183	73,959
2540 Operation and Maintenance	277,778	277,778	19,709	11,502
2570 Purchasing	67,700	67,700	-	-
2640 Staff Services	-	-	-	-
2660 Technology Services	1,198,200	1,198,200	-	-
2700 Supplemental Retirement Program	401,844	401,844	49,262	51,340
Total Support Services	<u>4,457,444</u>	<u>4,457,444 (1)</u>	<u>1,002,190</u>	<u>559,160</u>
Total Expenditures	<u>\$ 11,711,370</u>	<u>\$ 11,711,370</u>	<u>\$ 4,661,462</u>	<u>\$ 2,509,295</u>
Excess of Revenues over, (under) Expenditures	3,958,719	3,958,719		
Other Financing Sources, (uses):				
5200 Transfers In	265,643	265,643		
5200 Transfers Out	(600,390)	(600,390) (1)		
5300 Apportionment of Funds by ESD	<u>(7,343,429)</u>	<u>(7,343,429) (1)</u>		
Total Other Funding Sources (uses)	<u>(7,678,176)</u>	<u>(7,678,176)</u>		
Net Change in Fund Balance	(3,719,457)	(3,719,457)		
Beginning Fund Balance	<u>4,595,613</u>	<u>4,595,613</u>		
Ending Fund Balance	<u>\$ 876,156</u>	<u>\$ 876,156</u>		

(1) Appropriation Level

<u>PURCHASED SERVICES</u>	<u>SUPPLIES &amp; MATERIALS</u>	<u>CAPITAL OUTLAY</u>	<u>OTHER</u>	<u>TOTAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
\$ 63,282	\$ 22,512	\$ -	\$ 99,648	\$ 1,203,318	\$ 54,386
474,005	31,257	-	353,562	4,279,038	21,142
187,638	30,054	-	125,011	1,514,022	(281,038)
-	-	-	-	-	463,058
<u>724,926</u>	<u>83,824</u>	<u>-</u>	<u>578,221</u>	<u>6,996,378</u>	<u>257,548</u>
12,329	943	-	14,333	165,725	76,775
62,958	1,416	-	70,942	428,479	25,455
59,808	437	-	21,530	260,756	51,197
-	64,793	21,800	8,398	102,111	(399)
78,343	7,205	-	61,826	747,386	16,635
7,893	99	-	719	8,711	241
2,012	502	-	226	2,741	(1,241)
479	-	-	43	522	(17)
-	-	-	-	-	298,666
13,438	1,449	-	21,359	248,388	79,791
129,652	3,748	-	14,815	179,426	98,352
-	-	-	-	-	67,700
-	-	-	-	-	-
-	-	-	-	-	1,198,200
-	-	-	-	100,602	301,242
<u>366,911</u>	<u>80,592</u>	<u>21,800</u>	<u>214,191</u>	<u>2,244,845</u>	<u>2,212,599</u>
\$ 1,091,837	\$ 164,416	\$ 21,800	\$ 792,413	\$ 9,241,223	\$ 2,470,147
				6,282,879	2,324,160
				265,643	-
				-	600,390
				<u>(5,942,845)</u>	<u>1,400,584</u>
				<u>(5,677,202)</u>	<u>2,000,974</u>
				605,677	4,325,134
				<u>3,402,818</u>	<u>(1,192,795)</u>
				<u>\$ 4,008,495</u>	<u>\$ 3,132,339</u>

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LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

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

<u>SPECIAL SERVICE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
From Local Sources:				
Contributions	\$ -	\$ -	\$ 2,519	\$ 2,519
Provided by other Funds within District	749,756	749,756	577,794	(171,962)
Provided by other Local Education Agencies	2,259,763	2,259,763	1,777,654	(482,109)
Medicaid Revenue	60,816	60,816	-	(60,816)
Other Miscellaneous	144,400	144,400	4,423	(139,977)
Total from Local Sources	<u>3,214,735</u>	<u>3,214,735</u>	<u>2,362,390</u>	<u>(852,345)</u>
From Federal Sources:				
Restricted Revenue	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ (25,000)</u>
Total Revenues	<u><u>\$ 3,239,735</u></u>	<u><u>\$ 3,239,735</u></u>	<u><u>\$ 2,362,390</u></u>	<u><u>\$ (877,345)</u></u>

Continued on pages 41 and 41A

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF EXPENDITURES BY OBJECT  
BUDGETARY BASIS

For the Year Ended June 30, 2016

SPECIAL SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	SALARIES	EMPLOYEE BENEFITS
INSTRUCTION:				
1260 Early Intervention	\$ 155,780	\$ 155,780	\$ 50,656	\$ 34,276
1290 Youth Corrections Education	180,117	180,117	-	-
Total Instruction Services	<u>\$ 335,897</u>	<u>\$ 335,897</u>	(1) <u>\$ 50,656</u>	<u>\$ 34,276</u>
SUPPORT SERVICES:				
2110 Attendance and Social Work Services	\$ 1,370,096	\$ 1,370,096	\$ 623,085	\$ 335,160
2130 Nurse Services	116,500	116,500	2,199	1,226
2140 Psychological	507,719	507,719	219,208	107,383
2150 Speech Pathology Services	546,090	546,090	223,535	115,321
2160 Other Student Treatment Services	1,533,177	1,533,177	674,805	329,817
2190 Student Support Services	161,682	161,682	89,478	41,551
2210 Instructional Services	125,573	125,573	70,457	34,053
2220 Multimedia Services	434,275	434,275	30,222	17,050
2240 Instructional Staff Development	67,209	67,209	3,651	535
2320 Executive Administration	337,411	337,411	99,192	42,692
2410 Principal Services	138,745	138,745	-	-
2520 Business Services	1,345,881	1,345,881	238,809	161,731
2570 Purchasing	58,000	58,000	-	-
2610 Central Support Services	11,000	11,000	-	-
2640 Staff Services	6,500	6,500	-	-
2660 Technology Services	2,289,671	2,289,671	709,596	378,915
Total Support Services	<u>\$ 9,049,529</u>	<u>\$ 9,049,529</u>	(1) <u>\$ 2,984,237</u>	<u>\$ 1,565,434</u>
6110 Contingency	<u>\$ 2,177,077</u>	<u>\$ 2,177,077</u>	(1) <u>\$ -</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 11,562,503</u>	<u>\$ 11,562,503</u>	<u>\$ 3,034,892</u>	<u>\$ 1,599,710</u>
Excess of Revenues over, (under) Expenditures	(8,322,768)	(8,322,768)		
Other Financing Sources, (uses):				
5200 Transfers Out	(122,443)	(122,443)	(1)	
5200 Transfers In	5,277,430	5,277,430		
5300 Transits	<u>(39,922)</u>	<u>(39,922)</u>	(1)	
Total Other Funding Sources, (uses)	<u>5,115,065</u>	<u>5,115,065</u>		
Net Change in Fund Balance	(3,207,703)	(3,207,703)		
Beginning Fund Balance	<u>3,207,703</u>	<u>3,207,703</u>		
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>		

(1) Appropriation Level

<u>PURCHASED SERVICES</u>	<u>SUPPLIES &amp; MATERIALS</u>	<u>CAPITAL OUTLAY</u>	<u>OTHER</u>	<u>TOTAL</u>	<u>VARIANCE BUDGET POSITIVE (NEGATIVE)</u>
\$ 137	\$ 389	\$ -	\$ 4,779	\$ 90,237	\$ 65,543
-	-	-	-	-	180,117
<u>\$ 137</u>	<u>\$ 389</u>	<u>\$ -</u>	<u>\$ 4,779</u>	<u>\$ 90,237</u>	<u>\$ 245,660</u>
\$ 69,178	\$ 9,726	\$ -	\$ 58,577	\$ 1,095,726	\$ 274,370
97,553	-	-	192	101,170	15,330
6,211	-	-	18,637	351,438	156,281
66,325	229	-	22,703	428,113	117,977
230,791	29,071	-	70,700	1,335,182	197,995
569	210	-	7,369	139,177	22,505
2,310	1,079	-	6,042	113,941	11,632
33	143,795	-	9,186	200,287	233,988
10,553	10,716	-	1,034	26,490	40,719
338,749	1,278	-	7,935	489,845	(152,434)
-	-	-	-	-	138,745
10,552	-	-	22,033	433,125	912,756
30,721	482	-	1,747	32,950	25,050
-	8,996	-	-	8,996	2,004
-	530	-	-	530	5,970
<u>198,412</u>	<u>388,828</u>	<u>-</u>	<u>92,286</u>	<u>1,768,037</u>	<u>521,634</u>
<u>\$ 1,061,957</u>	<u>\$ 594,938</u>	<u>\$ -</u>	<u>\$ 318,441</u>	<u>\$ 6,525,006</u>	<u>\$ 2,524,523</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,177,077</u>
<u>\$ 1,062,094</u>	<u>\$ 595,327</u>	<u>\$ -</u>	<u>\$ 323,220</u>	<u>\$ 6,615,243</u>	<u>\$ 4,947,260</u>
				(4,252,853)	4,069,915
				(122,443)	-
				4,512,714	(764,716)
				-	39,922
				<u>4,390,271</u>	<u>(724,794)</u>
				137,418	3,345,121
				<u>4,808,283</u>	<u>1,600,580</u>
				<u>\$ 4,945,701</u>	<u>\$ 4,945,701</u>

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LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SUPPLEMENTARY INFORMATION

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LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

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

<u>CAPITAL PROJECTS</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Local Source Revenues	\$ 20,000	\$ 20,000	\$ 19,902	\$ (98)
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>19,902</u>	<u>(98)</u>
EXPENDITURES:				
Building Acquisition and Construction:				
Purchased Services	130,000	130,000	77,702	52,298
Supplies and Materials	60,000	60,000	13,014	46,986
Capital Outlay	<u>530,000</u>	<u>530,000</u>	<u>46,341</u>	<u>483,659</u>
Total Building Acquisition and Construction	<u>720,000</u>	<u>720,000</u>	(1) <u>137,058</u>	<u>582,942</u>
Contingency	<u>250,000</u>	<u>250,000</u>	(1) <u>-</u>	<u>250,000</u>
Total Expenditures	<u>970,000</u>	<u>970,000</u>	<u>137,058</u>	<u>832,942</u>
Other Financing Sources, (uses)				
5200 Transfers In	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Total other Financing Sources	350,000	350,000	350,000	-
Net Change in Fund Balance	(600,000)	(600,000)	232,845	832,845
Beginning Fund Balance	<u>600,000</u>	<u>600,000</u>	<u>671,516</u>	<u>71,516</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 904,361</u>	<u>\$ 904,361</u>

(1) Appropriation Level

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

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

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2015</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/16</u>
Current:						
2015-16	<u>\$ 6,801,668</u>	<u>\$ 176,520</u>	<u>\$ (7,193)</u>	<u>\$ 3,363</u>	<u>\$ 6,400,803</u>	<u>\$ 217,153</u>
Prior Years:						
2014-15	227,798	(5)	(16,409)	4,403	87,063	124,331
2013-14	135,176	(2)	(8,169)	7,230	38,490	88,518
2012-13	89,987	(1)	(1,321)	10,839	37,187	51,480
2011-12	48,894	-	(1,297)	5,528	15,084	32,513
2010-11	21,389	-	(1,539)	691	1,332	18,518
2009-10	15,253	-	(1,197)	603	971	13,085
Prior Years:	<u>8,435</u>	<u>-</u>	<u>(227)</u>	<u>1,128</u>	<u>1,346</u>	<u>6,862</u>
Total Prior	<u>546,932</u>	<u>(7)</u>	<u>(30,160)</u>	<u>30,422</u>	<u>181,472</u>	<u>335,307</u>
Total	<u>\$ 7,348,600</u>	<u>\$ 176,513</u>	<u>\$ (37,353)</u>	<u>\$ 33,785</u>	<u>\$ 6,582,274.48</u>	<u>\$ 552,460</u>

RECONCILIATION TO REVENUE:

	<u>GENERAL FUND</u>
Cash Collections by County Treasurer Above	\$ 6,582,274
Accrual of Receivables	
June 30, 2015	(38,645)
June 30, 2016	29,795
Other Counties and Foreclosures	<u>133,752</u>
Total Revenue	<u>\$ 6,707,176</u>

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

2015-2016 AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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

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

We have audited the basic financial statements of the Linn Benton Lincoln Education Service District as of and for the year ended June 30, 2016, and have issued our report thereon dated December 14, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Linn Benton Lincoln Education Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

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

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

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

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

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

A handwritten signature in dark ink, appearing to read "Ken Allen", is enclosed within a thin black rectangular border.

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



## **GRANT COMPLIANCE REVIEW**

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LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2016

Program Title	Pass Through Organization	Federal CFDA Number	Pass Through Entity Number	Period Covered	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Education</b>						
Title I Grants to Local Educational Agencies						
LTCT--Farm Home School	ODE	84.013	38523	07/01/15-06/30/16	53,509	4,424
Total Title I Grants to Local Education Agencies					<u>53,509</u>	<u>4,424</u>
Supporting Effective Instruction State Grant	ODE	84.367	38479	09/01/15-06/30/16	928	-
Total Supporting Effective Instruction State Grant					<u>928</u>	
Special Education Cluster						
Special Education Grants to States	ODE	84.027	38103	08/17/15-08/30/15	522	-
Special Education Grants to States						
Alsea	ODE	84.027	33310	07/01/14-09/30/16	3,378	2,081
Central Linn	ODE	84.027	33314	07/01/14-09/30/16	1,428	-
Harrisburg	ODE	84.027	33311	07/01/14-09/30/16	1,992	-
Monroe	ODE	84.027	33309	07/01/14-09/30/16	1,040	-
Santiam Canyon	ODE	84.027	33313	07/01/14-09/30/16	952	-
Scio	ODE	84.027	33312	07/01/14-09/30/16	4,909	
Special Education Grants to States						
Alsea	ODE	84.027	36896	07/01/15-09/30/17	20,682	20,682
Central Linn	ODE	84.027	36897	07/01/15-09/30/17	96,789	86,544
Harrisburg	ODE	84.027	36898	07/01/15-09/30/17	129,505	115,933
Monroe	ODE	84.027	36899	07/01/15-09/30/17	76,740	69,998
Philomath	ODE	84.027	36900	07/01/15-09/30/17	225,918	203,870
Santiam Canyon	ODE	84.027	36901	07/01/15-09/30/17	123,846	118,314
Scio	ODE	84.027	36902	07/01/15-09/30/17	443,424	383,483
Special Education Grants to States	ODE	84.027	35773	07/01/15-06/30/16	2,411	-
Special Education Grants to States	ODE	84.027	38362	10/01/2015-09/30/16	6,300	-
Special Education Grants to States	ODE	84.027	9621 A6	07/01/15-06/30/16	597,666	166,249
Special Education Grants to States	ODE	84.027	38498	07/01/15-06/30/16	67,334	2,040
Special Education Grants to States						
Benton County	ODE	84.027	37916	08/01/15-06/30/16	1,512	-
Coos County	ODE	84.027	37917	08/01/15-06/30/16	1,736	1,736
Curry County	ODE	84.027	37918	08/01/15-06/30/16	1,144	1,144
Lincoln County	ODE	84.027	37919	08/01/15-06/30/16	1,520	-
Linn County	ODE	84.027	37920	08/01/15-06/30/16	2,815	-
Special Education Grants to States	ODE	84.027	37921	08/01/15-06/30/16	1,166	-
Audiology	ODE	84.027	35716	07/01/15-06/30/16	127,413	25,701
Regional Program	ODE	84.027	9601 A2	07/01/15-06/30/17	1,457,580	424,423
Traumatic Brain Injury	ODE	84.027	35716	07/01/15-06/30/16	12,721	5,000
Total of Special Education Grants to States, CFDA 84.027					<u>3,412,443</u>	<u>1,627,198</u>

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2016

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2016

Program Title	Pass Through Organization	Federal CFDA Number	Pass Through Entity Number	Period Covered	Expenditures	Passed Through to Subrecipients
Special Education Cluster Cont.						
Special Education Grants to States						
Alsea	ODE	84.173	37201	07/01/15-09/30/17	459	459
Central Linn	ODE	84.173	37202	07/01/15-09/30/17	1,102	1,102
Harrisburg	ODE	84.173	37203	07/01/15-09/30/17	306	306
Monroe	ODE	84.173	37306	07/01/15-09/30/17	551	551
Philomath	ODE	84.173	37205	07/01/15-09/30/17	3,978	3,978
Santiam Canyon	ODE	84.173	37206	07/01/15-09/30/17	1,148	1,148
Scio	ODE	84.173	37207	07/01/15-09/30/17	689	689
Special Education Grants Infants & Families	ODE	84.173	9621 A6	07/01/15-06/30/16	131,577	36,600
LICC	ODE	84.173	35639	07/01/15-06/30/16	750	300
Total of Special Education Grants to States, CFDA 84.173					140,559	45,132
<b>Total Special Education Cluster</b>					<b>3,553,002</b>	<b>1,672,329</b>
Special Education Grants to States	ODE	84.181	9621 A6	07/01/15-06/30/16	316,944	83,078
LICC	ODE	84.181	35639	07/01/15-06/30/16	750	300
Total of Special Education Grants to States, CFDA 84.181					317,694	83,378
Special Education State Personnel Development	ODE	84.323	32738	09/01/14 - 01/15/16	1,027	-
Special Education State Personnel Development	ODE	84.323	37320	08/01/15 - 06/30/16	786	-
Total of Special Education Grants to States, CFDA 84.323					1,813	-
<b>Total U.S. Department of Education</b>					<b>3,926,945</b>	<b>1,760,131</b>
<b>State of Oregon--Department of Human Services, Vocational Rehabilitation</b>						
Rehabilitation Services/Vocational Rehabilitation Grants to States						
State of Oregon	84.126A	143287-1	07/01/13-06/30/17	84,757		
<b>Total State of Oregon</b>					<b>84,757</b>	<b>0</b>
<b>Title V MCAH Block Grant Program</b>						
Maternal and Child Health Services Block Grant to the States						
OHSU	93.94	1004395	10/01/2015-9/30/2016	19,574		
<b>Total State of Oregon Health Sciences University</b>					<b>19,574</b>	<b>0</b>
<b>Total Grants Expended and Passed Through to Subrecipients</b>					<b>4,031,277</b>	<b>1,760,131</b>
Federal Grant Expenditures Above					4,031,277	
Medicaid Payments (District is vendor)					2,645,937	
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>					<b>6,677,214</b>	



**PAULY, ROGERS AND CO., P.C.**  
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December 14, 2016

To the Board of Directors  
Linn Benton Lincoln Education Service District

**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 Linn Benton Lincoln Education Service District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 14, 2016.

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in dark ink, appearing to read "Ken Allen", is enclosed within a thin black rectangular border.

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



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December 14, 2016

To the Board of Directors  
Linn Benton Lincoln Education Service District

**Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

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

We have audited Linn Benton Lincoln Education Service District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2016. The major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**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, Linn Benton Lincoln Education Service District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in dark ink, appearing to read "Ken Allen", is enclosed within a thin black rectangular border.

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



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

### **FINANCIAL STATEMENTS**

#### **FEDERAL AWARDS**

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

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**

#### **CFDA NUMBER**

84.027, 84.173

#### **NAME OF FEDERAL PROGRAM CLUSTER**

Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? Yes

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

OTHER INFORMATION

Required by Oregon Department of Education

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**LINN-BENTON-LINCOLN EDUCATION SERVICE DISTRICT**

**SUPPLEMENTAL INFORMATION**  
**As Required by The Oregon Deptment of Education**  
**For The Year Ended June 30, 2016**

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**A.** Energy bills for heating - all funds:

	Objects 325 and 326
Function 2540	\$ 94,982
Function 2550	\$ -

**B.** Replacement of equipment - General Fund:

Include all General Fund expenditures in Object 542, except for the following exclusions:

Exclude these functions:

	Amount
1113, 1122 & 1132 Co-curricular activities 4150 Construction	\$ -
1140 Pre-kindergarten 2550 Pupil transportation	
1300 Continuing education 3100 Food service	
1400 Summer school 3300 Community services	

