

LEBANON COMMUNITY SCHOOL DISTRICT
SCHOOL BOARD MEETING AGENDA – EXECUTIVE SESSION

February 9, 2017, 5:30 PM

Hamilton Creek School

32135 Berlin Road, Lebanon, Oregon 97355

- A. CALL TO ORDER UNDER ORS 192.660(2)(d): *To conduct deliberations with persons designated by the governing body to carry on labor negotiations.*
- B. DISCUSSION
- C. ADJOURN

**LEBANON COMMUNITY SCHOOL DISTRICT
SCHOOL BOARD MEETING AGENDA**

February 9, 2017, 6:00 PM

Hamilton Creek School

32135 Berlin Road, Lebanon, Oregon 97355

A. WELCOME

1. **Call to Order**
2. **Flag Salute**
3. **Audience Comments:** This is a time for citizens to address the Board. The Chair will recognize speaker(s) at the designated time. All speakers should identify themselves and state their name before speaking. Speakers are asked to write their name, address, and phone number. Each speaker will be allowed 3 minutes. The Board typically will *not* respond to comments during this time.

B. GOOD NEWS/COMMUNITY COMMUNICATIONS

1. **Report:** Hamilton Creek School (Enclosure B-1) Page 4

C. BUDGET COMMITTEE INTERVIEWS (Enclosures C-1) Page 13

D. GENERAL BUSINESS

1. Policies

- a. **Information Only:** Revised Policy ARs (Enclosure D-1)
 - i. Policy ING-AR: Animals in District Facilities - *revised* Page 16
 - ii. Policy JEC-AR(1): Open Enrollment/School Attendance Areas – *revised* Page 18
 - iii. Policy JEC-AR(2): Lottery Procedures – *revised* Page 20
 - iv. Policy JEC-AR(3): Application for Open Enrollment – *revised* Page 21
 - b. **Action:** Adopt Board Policies on First Reading (Enclosure D-2)
 - i. Policy JFCIA: Student Drug Testing – *new* Page 23
 - ii. Policy JFCIA-AR: Student Drug Testing – *new* Page 24
2. **Action:** Approve Resolution 1617-3 Rights of Undocumented Students and Protocols for Immigration and Customs Enforcement (ICE) Access to Schools (Enclosure D-3) Page 30
 3. **Report:** Superintendent Evaluation (Enclosure D-4) Page 31
 4. **Discussion:** Board Goals 2017-2018 (Enclosure D-5) Page 32
 5. **Discussion:** Naming of Pioneer School Library in honor of Sergeant First Class Scot R. Noss (Enclosure D-6) Page 33
 6. **Action:** Approve Snow Day Make Up Proposal (Enclosure D-7) Page 35

E. DEPARTMENT REPORTS

1. Finance

- a. **Report** (Enclosure E-1) Page 36
- b. **Report:** Audit (Enclosure E-2) Page 46
- c. **Report:** Disposal of Obsolete Equipment

2. Operations

3. Human Resources

F. COMMUNICATION

1. Board

2. Superintendent

- a. **Action:** Approve Amendment to 2015-2018 Superintendent Contract (Enclosure F-1) Page 146
- b. **Action:** Approve 2018-2021 Superintendent Contract (Enclosure F-2) Page 153

G. CONSENT AGENDA

1. **Action:** Approve January 12, 2017 Board Minutes (Enclosure G-1) Page 161
2. **Action:** Approve Hiring/Transfers/Leave of Absence
 - a. Roxanna Dorn, Language Arts Teacher – Lebanon High School (Temporary)
 - b. Cynthia Cady, 1st Grade Teacher, Cascades School (Temporary)
 - c. Gordon Hilberg, Counselor, Lebanon High School (Temporary)
 - d. Deborah Burrows Nurse, Green Acres School

H. ADJOURN

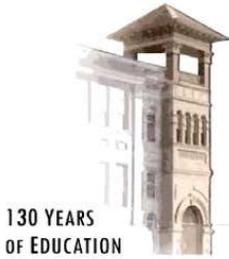
The Lebanon Community School District Board of Directors welcomes you to our regular meeting. It is the Board's desire to hold an effective and efficient meeting to do the business of the District. In keeping with that objective the Board provides a place for AUDIENCE COMMENTS on each of its regular agendas. This is a time when you can provide statements or ask questions. The Board allows three minutes for each speaker. The following quote is instructive to the Board and its visitors.

"The Public Meetings Law is a public attendance law, not a public participation law. Under the Public Meetings Law, governing body meetings are open to the public except as otherwise provided by law. ORS 192.630 The right of public attendance guaranteed by the Public Meetings Law does not include the right to participate by public testimony or comment."

"Other statutes, rules, charters, ordinances, and bylaws outside the Public Meetings Law may require governing bodies to hear public testimony or comment on certain matters. But in the absence of such a requirement, a governing body may conduct a meeting without any public participation. Governing bodies voluntarily may allow limited public participation at their meetings." Oregon Attorney General's Administrative Law Manual and Uniform and Model Rules of Procedure under the Administrative Procedures Act. Hardy Myers, Attorney General, March 27, 2000.

FUTURE MEETINGS

| | |
|----------------|------------------------------|
| March 9, 2017 | Seven Oak Middle School |
| April 13, 2017 | Riverview School |
| April 27, 2017 | District Office – Board Room |
| May 11, 2017 | District Office – Board Room |



LEBANON Community Schools

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APPLICATION FOR BUDGET COMMITTEE MEMBERSHIP

Name TODD GESTRIN Date JANUARY 19, 2017

Address 12 W. CEDAR DR., LEBANON, OR 97355

Email toddg@mckenzievalleyfcu.com

Phone 541.451.4540 (home) 541.570.9272 (cell) 541.746.6121 (work)

Term: Two positions for a 3 year appointment expiring June 30, 2019

To be eligible for appointment the candidate: 1) must live in the District, 2) must not be an officer or employee of the District, and 3) must be a qualified voter of the District (ORS 294.336).

If you are eligible, state briefly why you would like to be considered for appointment to the Budget Committee:

Having grown up and raised in Lebanon, I have a solid understanding of our community. My time on the School Board and on the Budget Committee has provided me with a solid understanding of our school district's financial needs as well as the constant juggling act of making every dollar matter. With the normal expense of a school district including working with two unions and administration is not an easy challenge. My personal financial background in banking and finance for over 30 years, my role as a budget committee member for the City of Lebanon for numerous years, my prior position as Treasurer for the Linn-Benton Employer Council and for the Oregon Employer Council makes me well versed on budgets.

Return Application to Lebanon Community School District Business Office by 4:00 p.m. on January 31, 2017. Appointment to the Budget Committee will be made at the February 9, 2017 Board of Director's meeting with a Budget Meeting immediately following. Please plan on attending the meeting for possible interview by the Board of Directors.

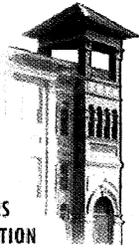
Todd K. Gestrin

January 19, 2017

Signature

Date

130 YEARS
OF EDUCATION



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APPLICATION FOR BUDGET COMMITTEE MEMBERSHIP

Name Tom Oliver Date January 30, 2017

Address 29764 Bartels Creek Drive Lebanon Oregon 97355

Email tom@tomoliver.com

Phone 541-451-4141 (home) 503-866-6016 (cell) 541-451-6500 (work)

Term: Two positions for a 3 year appointment expiring June 30, 2019

To be eligible for appointment the candidate: 1) must live in the District, 2) must not be an officer or employee of the District, and 3) must be a qualified voter of the District (ORS 294.336).

If you are eligible, state briefly why you would like to be considered for appointment to the Budget Committee:

The budget is LCSD's most important policy document. It must be developed in a manner
that supports the goals and objectives identified by the community, board and staff, while being sensitive
to the financial constraints and realities of our current environment. Having spent most of my career in
management positions, I am well versed in budgeting and the financial operations of an organization.
During my tenure as a department head for the City of Lebanon, I developed an understanding of the
public budgeting process that I believe will add value and perspective to the process for the district.

Return Application to Lebanon Community School District Business Office by 4:00 p.m. on January 31, 2017. Appointment to the Budget Committee will be made at the February 9, 2017 Board of Director's meeting with a Budget Meeting immediately following. Please plan on attending the meeting for possible interview by the Board of Directors.

1/30/17

Signature

Date



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APPLICATION FOR BUDGET COMMITTEE MEMBERSHIP

Name JEFF VANDREWE Date 1-30-17

Address 29731 BAYLES CREEK DR

Email jeffsv@centurytel.net

Phone 541-451-6371 (home) _____ (cell) _____ (work)

Term: Two positions for a 3 year appointment expiring June 30, 2019

To be eligible for appointment the candidate: 1) must live in the District, 2) must not be an officer or employee of the District, and 3) must be a qualified voter of the District (ORS 294.336).

If you are eligible, state briefly why you would like to be considered for appointment to the Budget Committee:

I want to be involved in my kids education & help out where ever I can

Return Application to Lebanon Community School District Business Office by 4:00 p.m. on January 31, 2017. Appointment to the Budget Committee will be made at the February 9, 2017 Board of Director's meeting with a Budget Meeting immediately following. Please plan on attending the meeting for possible interview by the Board of Directors.

[Signature]

1-31-17

Signature

Date

Animals in District Facilities

Name of Student/Staff requesting service animal¹: _____

Please provide the following information about the service animal.

1. Parent/Staff and/or emergency contact information: _____

2. Service animal breed, age and history: _____

~~2.3.~~ Is the service animal required due to a disability? Yes No

4. Is the student/staff able to independently care for the service animal’s needs (i.e., bathroom, feeding, cleaning up messes, general hygiene, interaction with others, etc.)? Yes No

5. Has the student/staff member requesting use of the service animal been trained as the animal’s handler? Yes No
If no, who will act as the trained handler for the animal during the school/work day?

Attached proof of handler training: Received Not Received

6. Documentation of Public Access Test: Received Not Received
Trainer or organization who administered the Public Access Test:

Address and phone number of trainer or organization:

~~3.7.~~ Insurance company insuring the service animal:

Attached proof of insurance: Received Not Received
Agent name, address, and phone number:

8. Proof of current and proper vaccinations for service animal: Received Not Received

4.9. Describe the nature of the work or task the service animal is trained, or is being trained to do or perform to² meet the student's/staff's individual needs:

6/12/14 | RS

¹The American with Disabilities Act definition of "service animal" means any dog that is individually trained to do work or perform tasks for the benefit of an individual with a disability, including a physical, sensory, psychiatric, intellectual or other mental disability. Other species of animals, whether wild or domestic, trained or untrained, are not service animals for the purposes of this definition. The work or tasks performed by a service animal must be directly related to the individual's disability. Examples of work or tasks include, but are not limited to, assisting individuals who are blind or have low vision with navigation and other tasks, alerting individuals who are deaf or hard of hearing to the presence of people or sounds, providing non-violent protection or rescue work, pulling a wheelchair, assisting an individual during a seizure, alerting individuals to the presence of allergens, retrieving items such as medicine or the telephone, providing physical support and assistance with balance and stability to individuals with mobility disabilities, and helping persons with psychiatric and neurological disabilities by preventing or interrupting impulsive or destructive behaviors. The crime deterrent effects of an animal's presence and the provision of emotional support, well-being, comfort, or companionship do not constitute work or tasks for the purposes of this definition. The law and its regulations also make an allowance for miniature horses.

²The district may request this information if the nature of the work or task the assistance animal is trained, or is being trained to do or perform, is not readily apparent.

Open Enrollment/School Attendance Areas

Attendance Boundaries/Assignment of Students to Schools

1. Students living within the attendance boundaries of individual schools have priority for attendance at that school.
2. Parents or guardians may make application to enroll in a school other than their attendance boundary area school.
3. The superintendent will set enrollment caps at each school.
 - a. Enrollment caps for ~~2016-2017~~2017-2018 are:
 - Cascades – 350 students
 - Green Acres – 350 students
 - Hamilton Creek – 350 students
 - Lcomb – 250 students
 - Pioneer – 400 students
 - Riverview – 400 students
 - Seven Oak ~~6th Grade~~ – 140-600 students
 - b. The cap does not apply to siblings of students currently enrolled in that school.
4. Parents choosing to send their student to a school other than the school in their attendance boundary area will be responsible for transportation to and from school unless space is available on a district bus that travels an appropriate route. Routes will not be altered to accommodate open enrolled students.

Open Enrollment Process

1. Parents desiring to enroll a student in a district school in an attendance area other than the one in which they reside must complete an “Application for Open Enrollment” form and submit it to their attendance area school by ~~June~~May 1st. Parents may submit individual student or family applications.
2. These applications will be approved unless one of the following situations exists:
 - a. The school’s enrollment capacity has been met.
 - b. In elementary schools, the grade level at the classrooms at the student’s instructional level ~~is~~ are full. Full is defined as follows:

Grades K-2 – ~~22-23~~ students;
Grades 3-8 – ~~25-28~~ students;

3. A letter noting the district's decision made will be mailed to the parent and the schools concerned no later than August 15th.
4. If there are more students requesting open enrollment into a school than there are spaces provided by the enrollment cap, then a lottery (See Lottery Policy JEC-AR (2)) will be used to create a rank order of students. This same process will be used in elementary schools if more students are requesting open enrollment into an instructional level than there are spaces available at that level.

To be included in this lottery, open enrollment requests must be submitted to the students' attendance area school no later than ~~June~~ May 1st. This lottery will take place no later than August 14th.

If spaces are available in August as a result of students leaving the district during the summer, students will be placed according to the remaining rank order created by the lottery described above. This placement will occur prior to the first day of school.

5. Once approved an open enrollment will ordinarily remain in effect until the student completes the highest level of instruction in the school; the student's parent requests that the open enrollment be rescinded; or administrators revoke the open enrollment for reasons such as erratic attendance, excessive tardiness, or other unsatisfactory performance, as defined below:
 - Student arrives tardy on more than 10% of school days
 - Student is absent on more than 10% of attendance days
 - Student has one expulsion or more than two suspensions
6. Late open enrollment applications (received after May 1st) will ordinarily not be approved and will only be accepted on a case by case basis, subject to school and instruction level capacity.

Lottery Procedures

1. Open enrollment applications which have been submitted in a timely manner will be honored except in the following cases:
 - a. The school's enrollment cap has been reached. (However, student openings below the enrollment cap may be held for enrolling students new to the attendance area.)
 - b. ~~In elementary schools, the classrooms at the student's benchmark instruction level are full or within two students of being full.~~

2. When honoring all of the open enrollment applications would cause the school to exceed its enrollment cap or would cause an elementary school to exceed its class size limit, we will determine which students will be enrolled using the following process:
 - a. ~~First to be enrolled will be students who have been identified through the Student Achievement System who need more instructional time at their current academic level but who would greatly benefit from an alternative instructional location.~~
 - b.a. ~~Second-First~~ to be enrolled will be siblings of a student already enrolled at the school that have open enrollments in good standing approved from previous years.
 - e.b. ~~Third-Second~~ to be enrolled will be students who were previously ~~resident-resided in the school boundary~~ and enrolled in the school but who have moved to the attendance area of another district school.
 - c. ~~Fourth-Third~~ to be enrolled will be all other local district students.
 - d. Fourth to be enrolled will be students from outside the district (interdistrict transfer students)

Lebanon Community Schools

Code: JEC-AR (3)
Revised/Reviewed: 4/15/10; 1/20/11, 4/14/16, 10/13/16
Orig. Code(s): JEC-AR (C)

Application for Open Enrollment

Name of parent/guardian: Date:

Telephone number:

Address:

I am requesting open enrollment for my child(ren) named below to attend:

(first choice school requested)
(optional - second choice school requested):
(optional - third choice school requested):
instead of: (attendance area school)

Name(s) of student(s): 1) Grade: (2017-2018)
2) Grade: (2017-2018)
3) Grade: (2017-2018)
4) Grade: (2017-2018)

Reason for request:

Would you like each student considered for open enrollment on an individual basis or would you like your students to be considered together? Mark the appropriate box below.

- Individual student
Students together

Applications for the upcoming school year must be received by the attendance area school by JuneMay 1st. Summary of open enrollment conditions and procedures included on reverse side. The district will not pay for transportation or any excess costs.

I have read, understand and will abide by the conditions written on the back of this form.

Parent/Guardian Date

Date Received: Approved Denied Approval Pending

Signature of superintendent:

Reason for denial:

Open Enrollment Summary

1. Parents desiring to enroll a student in a district school in an attendance area other than the one in which they reside must complete an “Application for Open Enrollment” form and submit it to their attendance area school by June-May 1st. Parents may submit individual student or family applications.
2. These applications will be approved unless one of the following situations exists:
 - a. The school’s enrollment capacity (on June-May 1st of the previous year) has been met.
 - Cascades – 350 students
 - Green Acres – 350 students
 - Hamilton Creek – 350 students
 - Lacombe – 250 students
 - Pioneer – 400 students
 - Riverview – 400 students
 - Seven Oak – 600 students
 - b. In elementary schools, ~~t~~The student’s grade level classroom average classrooms at the student’s instructional level are-is full. Full is defined as follows:
 - Grades K-2 – 22-23 students;
 - Grades 3-8 – 25-28 students;
3. A copy of the open enrollment application form noting the district’s decision made will be mailed to the parent and the schools concerned no later than August 15th.
4. If there are more students requesting open enrollment into a school than there are spaces provided by the enrollment cap, then a lottery will be used to create a rank order of students.
5. Once approved an open enrollment will ordinarily remain in effect until the student completes the highest level of instruction in the school; the student’s parent requests that the open enrollment be rescinded; or administrators revoke the open enrollment for reasons such as erratic attendance, excessive tardiness, or other unsatisfactory performance, as defined below:
 - Student arrives tardy on more than 10% of school days
 - Student is absent on more than 10% of attendance days
 - Student has one expulsion or more than two suspensions
6. Parents choosing to send their student to a school other than the school in their attendance boundary area will be responsible for transportation to and from school unless space is available on a district bus that travels an appropriate route. Routes will not be altered to accommodate open enrolled students.
7. Late open enrollment applications (received after May 1st) will ordinarily not be approved and will only be accepted on a case by case basis, subject to school and instruction level capacity.

Student Drug Testing ** (Version 2)

As part of the district’s substance abuse prevention efforts, mandatory drug testing will be required of all student athletes and participants in extracurricular activities, [grades 9-12], in order to:

1. Provide for the health and safety of student athletes and participants in extracurricular activities;
2. Undermine the effects of peer pressure; and
3. Encourage participation in treatment programs, at parent expense, for student athletes and participants with substance abuse problems.

Extracurricular activities are defined as district-sponsored athletics [and other interscholastic activities which are sanctioned by the Oregon School Activities Association (OSAA) (e.g., dance, drill, music solo/band/choir/orchestra, cheerleader and speech)] [and other district-sponsored competitive activities].

No participant shall be penalized academically for testing positive for illegal [and performance-enhancing] drugs. Test results will not be documented in any student’s education records. Information regarding the results of drug tests will not be disclosed to criminal or juvenile authorities absent a valid and binding subpoena or other legal process, which the district shall not solicit. In the event of a subpoena or other legal process, the district will notify the student’s parents [at least 72 hours] prior to releasing information.

Student athletes and participants may be tested prior to participation in extracurricular activities. Random testing will be conducted periodically thereafter by a method determined by the district to assure the integrity, confidentiality and random nature of the selection process.

[No district employee shall knowingly sell, market or distribute steroid or performance enhancing substances to kindergarten through 12 students with whom the employee has contact as part of the employee’s district duties; or knowingly endorse or suggest the use of such drugs.]

The superintendent will develop administrative regulations to implement the drug-testing program in accordance with the provisions of law.

END OF POLICY

Legal Reference(s):

[ORS 329.095](#)
[ORS 332.107](#)
[ORS 336.222](#)
[ORS 336.227](#)

[ORS 339.250](#)
[ORS 342.721](#)
[ORS 342.726](#)
[ORS Chapter 475](#)

[OAR 581-021-0050 to -0075](#)
[OAR 581-022-0413](#)
[OAR 581-022-0416](#)

Vernonia Sch. Dist. 47J v. Acton, 515 U.S. 646 (1995).
Bd. of Educ. of Indep. Sch. Dist. No. 92 of Pottawatomie County v. Earls, 536 U.S. 822 (2002).
Weber v. Oakridge Sch. Dist. 76, 184 Or. App. 415 (2002).

Student Drug Testing ** (Version 2)

Definitions

1. “Illegal drug” is any drug which an individual may not sell, possess, use, distribute or purchase under state law, or as defined in schedules I through V of the Controlled Substances Act (21 U.S.C. § 812) including, but not limited to, marijuana, cocaine, opiates, amphetamines and phencyclidine (PCP). As used in this policy, “illegal drug” also means possession, use, sale or supply of prescription and nonprescription medication - in violation of Board policy JHCD – Nonprescription Medication and JFCDA – Prescription Medication and accompanying administrative regulation. “Illegal drug” shall also include alcohol.
2. “Performance-enhancing drug” includes anabolic steroids and any other natural or synthetic substance used to increase muscle mass, strength, endurance, speed or other athletic ability. The term “performance-enhancing drug” does not include dietary or nutritional supplements such as vitamins, minerals and proteins which can be lawfully purchased in over-the-counter transactions.
3. “Prescription medication” means any noninjectable drug, chemical compound, suspension or preparation in suitable form for use as a curative or remedial substance taken either internally or externally by a student under the written direction of a physician. Prescription medication does not include dietary food supplements.
4. “Nonprescription medication” means only commercially prepared, non-alcohol-based medication to be taken at school that is necessary for the student to remain in school. This shall be limited to eyes, nose and cough drops, cough suppressants, analgesics, decongestants, antihistamines, topical antibiotics, anti-inflammatories and antacids that do not require written or oral instructions from physician. Nonprescription medication does not include dietary food supplements.

Consent

Each student wishing to participate in athletics and/or extracurricular activities sanctioned by the OSAA and the student’s parent(s) shall consent in writing to drug testing. Written consent shall be in the form attached to this administrative regulation. No student shall be allowed to participate in athletics and/or extracurricular activities sanctioned by the OSAA without such consent.

Selection

All student athletes and extracurricular activity participants in OSAA sanctioned events may be tested during the athletic season or extracurricular activity in which they participate. In addition, selection for random testing will be by lottery from a pool of all students participating in athletic and/or extracurricular activity programs in the district at the time of the drawing.

The superintendent or designee shall take reasonable steps to assure the integrity, confidentiality and random nature of the selection process including, but not limited to, assuring that:

1. The names of all participating students are in the pool;
2. The person drawing names has no way of knowingly choosing or failing to choose particular students for testing;
3. The identity of students drawn for testing is not known to those involved in the selection process;
4. The selection process is observed by at least two adults.

Testing

Testing will be conducted by a laboratory selected by the district. Chain of custody procedures, as recommended by the laboratory, will be followed.

Samples will be collected at a mutually convenient time on the same day the student is selected for testing or, if the student is absent on that day, on the day of the student's return to school. If a student is unable to produce a sample at any particular time, the student will be allowed to return later that same day to provide the sample. All students selected for testing will be given the option of providing samples in private. Students who refuse to provide a sample will be considered to have tested positive and will be subject to the procedures listed below.

The testing laboratory will test for one or more illegal or performance-enhancing drugs. The superintendent shall decide prior to selection of students which illegal or performance-enhancing drugs shall be screened. Samples will not be screened for the presence of any substance other than an illegal or performance enhancing drug or for the existence of any physical condition other than drug intoxication.

Samples will be split at the time of testing. The duplicate samples will be sealed and maintained by the laboratory in the event a second test is requested.

The testing laboratory will report results only to the superintendent or his/her designee.

Positive Test Results

If the student's test results indicate the presence of illegal or performance-enhancing drugs, the following will occur:

1. The student or parent may request within 72 hours of a positive test notification that the second specimen sample be tested. The student may voluntarily disclose use of prescription medication which may have affected the outcome of the test;
2. If the second sample tests negative, the student and parent will be notified and no further action will be taken. If the second sample tests positive, notification will be made and a meeting will be scheduled with the student, the parent(s) and the administration.

Discipline

Due process procedures will be followed for all discipline arising from violation of the district's policy.

First Positive Result

1. Notify student and parent(s);
2. Meeting scheduled by the administration, with the parent(s) and student;
3. The student will be suspended from participation in athletics and other interscholastic activities which are sanctioned by the Oregon School Activities Association (OSAA) for the 14 consecutive calendar days starting with the day of suspension and suspension from extracurricular activities for the remainder of the suspension.
4. During the suspension the student will not participate in any activities and/or school sponsored events. (which also include dances and non-academic field trips).
5. Student will be assigned to school Drug Education and Diversion program and complete steps required.

Second Positive Result (in high school career)

1. Notify student and parent(s);
2. Meeting scheduled by the administration, with the parent(s) and student;
3. The student will be suspended from participation in athletics and other interscholastic activities which are sanctioned by the Oregon School Activities Association (OSAA) for the 45 consecutive calendar days starting with the day of suspension and suspension from extracurricular activities for the remainder of the suspension.
4. During the suspension the student will not participate in any activities and/or school sponsored events (which also include dances and non-academic field trips).
5. Student will be assigned to school Drug Education and Diversion program and complete steps required. If student has not met requirements by the end of 45 day suspension; they may rejoin team but must complete requirements. They will bring weekly progress updates to coach, at any point they fail to meet requirements after reinstatement; they will be suspended pending completion.

Third Positive Result (in high school career)

1. Notify student and parent(s);
2. Meeting scheduled by the administration, with the parent(s) and student;
3. The student will be suspended from participating in athletics and other interscholastic activities which are sanctioned by the OSAA for the remainder of their high school years at Lebanon High School.

4. During the suspension the student will not participate in any activities and/or school sponsored events. (which also include dances and non-academic field trips).
5. Students will be referred to school's Drug Education and Diversion program.

Appeal Process

A student who has been determined to be in violation of the district's drug testing policy shall have the right to appeal the decision to the superintendent or his/her designee. The appeal must be submitted to the superintendent, in writing, within five calendar days following the meeting with the principal. The student will remain ineligible to participate in athletics and/or extracurricular activities pending the appeal.

The superintendent or his/her designee will determine whether the original finding was justified.

If dissatisfied with the superintendent's decision, the student may appeal to the Board by providing notice within five calendar days of the superintendent's decision.

Relationship to Student Discipline Policies

Normal disciplinary measures which may affect eligibility are still applicable for violations which do not arise from these testing procedures.

One Time Only – Voluntary Student Admission

If prior to being randomly selected for testing, a student voluntarily admits that they have an issue with drug use and will test positive; that student, together with a parent/legal guardian will then sign the voluntary student admission form and agree to enter into the school district diversion education program. If the student, along with the parent/legal guardian are meeting the expectations of the program the student may participate in competition with out consequence. At any time if the student or parent/legal guardian fail to meet the expectations of the program, the student becomes ineligible and assumes the appropriate code of conduct consequence.

STUDENT DRUG-TESTING AUTHORIZATION FORM

I understand that my performance as an athlete and/or participant in extracurricular activities and the reputation of my school are dependent, in part, on my conduct as an individual. I hereby agree to accept and abide by the Board policies, administrative regulations and rules of the Lebanon Community School District.

I also authorize Lebanon Community School District to conduct a test for drug use on a urine specimen which I provide. I also authorize the release of information concerning the results of such a test to the district and to my parent(s).

This shall be deemed a consent pursuant to the Family Educational Rights and Privacy Act for the release of the above information to the parties named above.

I have received a copy of this release. I have read and understand the district policy and administrative regulation.

Student Signature Date

Date

Parent Signature Date

Date

**Athletic & Activity Code and Random Athletic Drug Testing Program
Opt Out Form**

Student's printed name: _____

In accordance with the Lebanon High School, Athletic & Activity Code and Random Athletic Drug Testing Program consent form signed by me and my parent on _____, (copy attached) I hereby choose to exercise my right to opt out of drug testing, for the _____ season.

I understand the consequences of opting out and agree to complete the diversion program as outlined in the policy detailed below.

Student Signature _____ Date _____
Parent Signature _____ Date _____

ONE TIME ONLY - Voluntary Student Admission

If a student voluntarily admits at the beginning of the sport season that he/she will test positive, that student, with his/her parent/guardian, will then sign a voluntary student admission statement declaring the student positive for a controlled substance and subjecting the student to follow up testing at his/her own expense every 4 weeks for two (2) successive tests from the day the student declared him/herself positive. The student will also be required to complete the Diversion Plan. However, as soon as the plan is established they will be allowed to return to competition. This option is only available to a student one time throughout their entire high school career at Lebanon High School.

RESOLUTION 1617-3: Rights of Undocumented Students and Protocols for Immigration and Customs Enforcement (ICE) Access to Schools

WHEREAS, the School Board for the Lebanon Community School District recognizes the worry and concern of the District's families regarding student stability and safety in our school community at this time;

WHEREAS, the School Board believes that ensuring our schools are both physically and emotionally safe for all children and families of the District is paramount to the success of our students;

WHEREAS, the safe and inviting environment of our schools would be disrupted by the presence of ICE Officers on District property for the purposes of removing students or their families members or obtaining information about students and their families;

WHEREAS, the District does not tolerate any form of discrimination, harassment, or bullying (Policies AC, JB, JF/JFA, JFCF);

WHEREAS, the District is committed to and has policy in place to protect students and ensure their safety at school and to prevent unwarranted access to students or their personal information (Policies JO/IGBAB, KN);

WHEREAS, Supreme Court precedent (*Plyer v. Doe*, 457 U.S. 202 (1982)) requires equal access to public education for all children, including those who are undocumented or come from families with members who are undocumented;

THEREFORE, BE IT RESOLVED:

1. Any ICE Officer intending to enter any District property must first notify the Superintendent in person of his or her intention, with adequate notice so that the Superintendent may take steps to meet with General Counsel and prepare to provide for the emotional and physical safety of its students and staff.
2. The Superintendent and/or General Counsel are authorized to ask for the ICE Officer's credentials, ask why he or she is requesting access, and inquire as to the legal validity of their request.
3. ICE Officers must provide written authority from ICE instructing them to enter District property and for what purpose.
4. District staff shall not inquire as to a student's immigration status or that of the student's family members, pursuant to the Family Educational Rights and Privacy ACT (FERPA) and relevant law. District staff shall not disclose, without parental consent, the immigration status or personal information of any District student.
5. The Superintendent shall inform staff on how to respond to ICE personnel who may attempt to enter District property and/or request information about District students and/or their families.

Dated this 9th day of February, 2017.

Russ McUne, Board Chair

Robert Hess, Superintendent

Superintendent Evaluation – January 2017

The Board of Directors completed the annual evaluation of Superintendent Dr. Rob Hess in executive session on January 12, 2017. The evaluation focused on the nine OSBA standards and four key result areas, using the following rankings: 1 (ineffective), 2 (developing), 3 (effective), and 4 (accomplished). Overall, the Superintendent's performance was found to be effective.

- Standard 1: Visionary Leadership – average ranking 2.8
- Standard 2: Policy and Governance – average ranking 3.1
- Standard 3: Communications and Community Relations – average ranking 2.2
- Standard 4: Effective Management – average ranking 2.8
- Standard 5: Curriculum Planning/Development – average ranking 3.6
- Standard 6: Instructional Leadership – average ranking 2.9
- Standard 7: Resource Management – average ranking 2.6
- Standard 8: Ethical Leadership – average ranking 2.8
- Standard 9: Labor Relations – average ranking 3.5
- Key Result Area 1: Graduation Rate – average ranking 3.1
- Key Result Area 2: Attendance – average ranking 3.1
- Key Result Area 3: Assessment – average ranking 2.9
- Key Result Area 4: Opportunities – average ranking 3.3

Dr. Hess was ranked effective to accomplished in the areas of Policy and Governance, Curriculum Planning/Development, Labor Relations, Graduation Rate, Attendance, and Opportunities. Curriculum Planning and Development continues to be a strength of Dr. Hess, especially in regards to the implementation and continued support of AVID. The Board noted how AVID has begun to positively change the culture of the District, and reflected this in the improvement of the District's Graduation Rate, Attendance, and Opportunities. Policy and Governance are well maintained, and Dr. Hess takes an active role in lobbying at the state level for education funding and legislature. Labor Relations reflected recent improvement in contract negotiations due to Dr. Hess' assistance in bringing in a new negotiator.

Areas that were ranked developing to effective are Visionary Leadership, Communications and Community Relations, Effective Management, Instructional Leadership, Resource Management, Ethical Leadership, and Assessment. The Board recognized Dr. Hess' strong community relations, but see a need for improvement in clarity and transparency of communications with staff and the community. They further recommended pursuing a 360-degree evaluation questionnaire for the District, which has been discussed. New teacher recruitment and retention was a theme throughout several standards, and the Board recommends this area be given more focus. The Board also felt that occasionally Dr. Hess presents ideas that the Board wants to hear or that will be approved, rather than pushing the Board or convincing the Board to approve what he feels is the right course of action. While improvement was noted in all four Key Result Areas, the Board would like to see sustained progress in these areas as a baseline is established.

Overall, the Board recognizes the positive changes in the District with our students excelling in areas they have not before, and looks forward to working with Dr. Hess to continue to improve the District for the long-term success of all students and staff.

MEMORANDUM



To: Board of Directors

From: Rob Hess, Superintendent

Date: February 1, 2017

Re: Goals for 2017-2018

Based on my recent evaluation, I have identified these seven areas to focus on for goals for the 2017-2018 school year:

- Graduation Rate
- Attendance
- Assessment
- Opportunities
- Recruit and Retain Teachers
- Increase state school funds for Lebanon
- Conduct community-wide survey

I would like feedback from the Board on if we should focus on all seven goals, or if we should establish stretch goals for some.

Dear Lebanon School Board Members, Mr. McUne, Ms. Weber, Mr. Martin, Mr. Borden, and Mr. Williams,

My name is Patrick J. Quinn, First Sergeant (ret), US Army.

I am writing you today to request that the Pioneer School Library be named in honor of a young local man, Sergeant First Class (Ret.) Scot R. Noss. Scot was born and raised in Lebanon and attended Greenwood Kindergarten, Cascades and Queen Anne elementary schools, Lebanon Middle School and graduated from Lebanon High School. Scot was very athletic and played many sports during his school years in Lebanon. During his senior year of high school he was named Valley League's defensive player of the year. After graduating, Scot decided to work for a short while with Youth With A Mission where he went to China and Hong Kong on a short-term mission trip.

As a child, Scot dressed in camouflage and played with his G.I. Joes every chance he got. He did this because he wanted to be in the Army like his dad, First Sergeant (Ret.) Ronald W. Noss. Scot waited until he turned 21 to enlist because he wanted to be one of the elite group of US Army Rangers. Scot's passion to be a Ranger was so great that he enlisted for the only position they had open, which was a Supply Specialist. Scot knew this would allow him to get his foot in the door and not long after graduating from the Ranger Indoctrination Program and then the Ranger Course, he was able to change his Military Occupational Specialty to Infantry.

2 1/2 years after Scot enlisted, 9-11 occurred, and life in the military took a drastic change especially for the Rangers. Scot served both in Iraq and Afghanistan. During his eighth deployment in 2007, this time to Afghanistan, Scot's group was returning from a mission in a Chinook helicopter when the helicopter experienced engine failure and crashed. Eight personnel were killed and fourteen were injured. Scot suffered a very severe traumatic brain injury, the most severely injured of all the survivors. Through the skillful treatment of all of the medical personnel along Scot's evacuation chain, and Scot's excellent physical condition and his fighting "Warrior" spirit, he survived this devastating injury. Unfortunately his injuries left him in a "minimally conscious" state.

During Scot's service he was the recipient of several military awards and commendations, the most outstanding were the Bronze Star, Meritorious Service Medal, Combat Infantryman's Badge, an FBI award for Hostage Negotiation and Rescue, and the Order of Saint Maurice which is an award from the National Infantry Association with the recipient being nominated for the award.

Scot R Noss has served his hometown of Lebanon, Oregon, his God, and his Country with the utmost distinction and honor. Scott was a true "Lebanon Warrior" and a Warrior in the truest sense by wanting to protect his community and country through military service.

I am asking that the library at Pioneer Middle School to be named the "Scot R. Noss Honorary Library" in honor of Scot's selfless service to his community and country. I am recommending the library because I had been told by his mother, Nelda Noss, a retired Lebanon School District teacher, that Scot's favorite place in school was the libraries. He loved to read, and would often get hall passes to go to the library to sit and read. If approved, the name would be placed on the window above the library doors, a plaque, with the words "In Honor of SFC (Ret) Scot R Noss, US Army Ranger, Operations Enduring Freedom and Iraqi Freedom, Lebanon Warrior," and a picture of Scot in uniform, would be placed on a wall outside of the library and a scrapbook about Scot, provided by his family, inside the library.

I have discussed this request with the Principal of Pioneer School, Ms. Cairo and the Superintendent, Mr. Hess. Both have stated their support of this request and I hope you will help me honor Scot by approving this request. In advance, I thank you very much for your consideration of this request. I can be contacted at: 541-666-9727, pg_quinn@comcast.net, or 1049 13th Ave SW, Albany, OR 97321.



1SG (Ret) Patrick J. Quinn

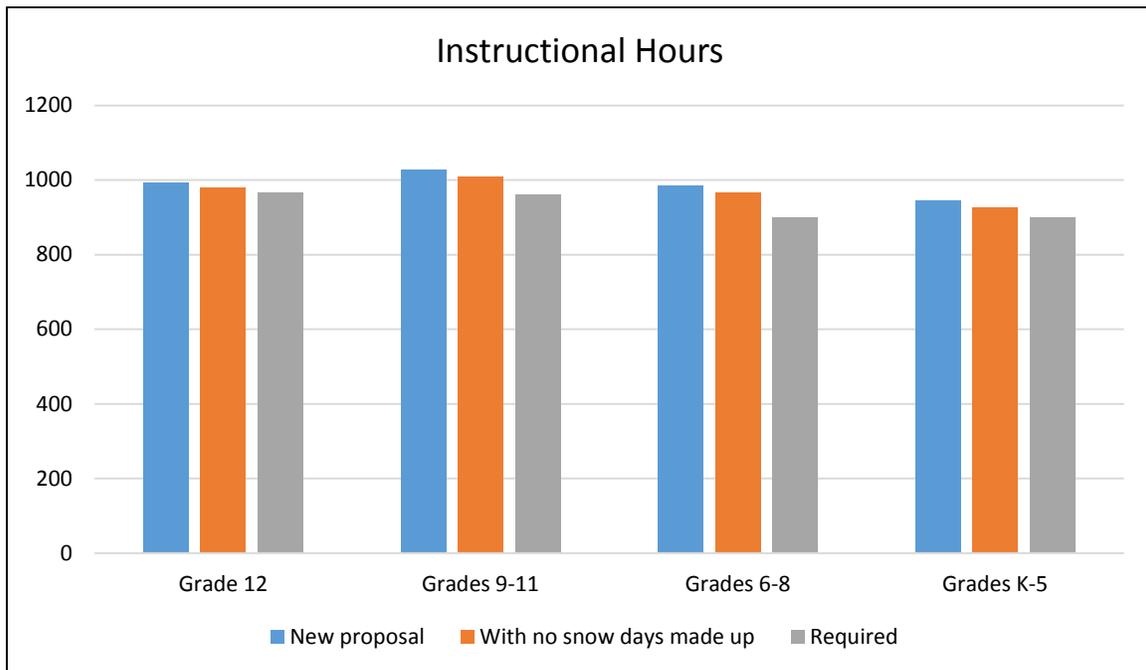
US Army Retired

SNOW DAY MAKE UP ALTERNATIVE PROPOSAL

To date we have used four snow days in the 2016-2017 School Year. Without making up any of these days, the District is still over the required instruction time. However, it is in the best interest of students to make up instructional time prior to graduation and/or testing, while still maintaining our contractual obligations to licensed staff.

It is requested to make the following calendar adjustments in lieu of adding on four make up days to the end of the school year:

- Changing six early release days to full days of instruction. This allows us to restore 2 hours of instruction time for each day, which equals two full instruction days for the six early releases. These would be the second and fourth Wednesdays in March, April and May (March 8, March, 22, April 12, April 26, May 10, May 24).
- Including Friday June 9 (added to the end of the year) as the last student instruction day
- Leaving one snow day to not be made up as a student instruction day, as we far exceed the required instructional hours as demonstrated in the graph below
- Offering a menu of professional development training for classified staff on April 7, April 10 or June 12 (non-student contact days)
- Changing the final licensed staff prep day to June 12, and having June 13 and June 14 as flexible days for either licensed staff prep time or professional development (all non-student contact days) to be determined by administration



| | New proposal | With no snow days made up | Required |
|-------------|--------------|---------------------------|----------|
| Grade 12 | 992 | 979.5 | 966 |
| Grades 9-11 | 1028 | 1009.5 | 960 |
| Grades 6-8 | 984 | 965.2 | 900 |
| Grades K-5 | 944 | 926.3 | 900 |

Business Report

By: Linda Darling, Business Director

February 9, 2017

Budget Committee Applications: (enclosure C-1)

We currently have received three applications for the two 3-year term (expire June 30, 2019) Budget Committee openings. The Budget Committee Members whose terms expired are Todd Gestrin and Macey France. The following is the timeline for filling this position:

- Post open positions in the paper (Jan. 2017) and webpage (Jan. 2017)
- Accept applications through Jan. 31, 2017
- Board interviews applicants and appoints new member, Feb. 9, 2017

The applications submitted are Todd Gestrin, Tom Oliver, and Jeff Vandiver

Financial Report: (enclosure E-1)

The 2016-2017 Financial Board report included in this Board packet reflects all of revenue and expenditures for 2015-2016 through 2016-2017, along with the budgeted and spent or encumbered amounts for 2016-2017. The Ending Fund Balance for 2015-2016 is \$3,024,733. The amounts in 2016-2017 salaries and benefits will change some throughout the year as staffing changes occur. The projected Ending Fund Balance (EFB) for 2016-2017 is \$2,572,274. This is a slight decrease from January's Financial Report of \$2,584,444. There are many factors that impact this projected EFB, including staffing changes, contract conditions, and items required for district operations.

Audit Report: (enclosure E-2)

The June 30, 2016 Annual Financial Report (Audit) is provided for your reading. Within the report you will find that the District has an unmodified opinion. This may sound bad, but in reality, it is good (see below):

An unmodified opinion provides a high level of assurance the professional, independent examination of financial statements has not revealed any actual or possible material misstatements in those financial statements.

The big change from 2015 is that our Net Position changed from \$(3,954,321) to \$(19,270,145). This occurred because of the PERS unfunded liability now is reflected. This is the first year that it is a requirement (GASB 63) to list the unrestricted net position, which includes PERS liability. Happy Reading!

Disposal of Obsolete Equipment:

The District is going to dispose of two vans used by maintenance:

- 2002 Ford Van (Plate E262353)
- 1990 Ford Van (Plate E224969)

Both of these vehicles have an approximate value of \$500.

Recreational Immunity:

During my attendance at the OASBO (Oregon Association of School Business Officials) Winter Conference in January, I was reminded of the change in exposure regarding Recreational Immunity. I have included an article provided by PACE (our insurance carrier). The struggle is what to what level we want our facilities to be open to the public and manage our risks.

Recreational Immunity – Is the Party Over???

In 1995 the Oregon State Legislature passed legislation enacting a statute creating recreational immunity for the owner of public lands and its employees. Recreational immunity was established to make sure public resources were made available to the public which paid for them during periods of time they were not being used by the public entity. The recreational immunity statute protected the public entity from lawsuits when the public used its recreational facilities unless the injury was due to gross negligence on the part of the public entity.

Unfortunately, the continuation of this public policy is in serious jeopardy. In March of this year, the Oregon Supreme Court issued a decision in a case involving the City of Portland. The case is Johnson v. Gibson, the case can be found by clicking on this link:

<http://www.publications.ojd.state.or.us/docs/S063188.pdf>

In Johnson v. Gibson the plaintiff in the case, named Johnson, was a legally blind jogger who stepped in a hole while running through a Portland park. Rather than suing the City of Portland directly, Johnson sued the maintenance employee, Gibson, who dug the hole in order to repair a sprinkler. Johnson also sued Gibson's direct supervisor.

Although the trial court initially held that recreational immunity shielded Gibson and his supervisor from the lawsuit, the Oregon Supreme Court held that the term "owner" did not include employees, agents or volunteers of the owner. As a result, employees are no longer included in the recreational immunity definition and Johnson can proceed with her lawsuit against the employees directly. The Oregon Tort Claims Act requires a public entity, such as the City of Portland, to indemnify and hold harmless its employees for actions taken within the course and scope of their employment. The result being in the Johnson case; the city is still financially responsible for the current claim.

It is quite possible that we will see a sharp increase in lawsuits filed against PACE member employees who operate, maintain, or repair recreational areas. The PACE member itself, as a landowner, is still shielded by recreational immunity. By suing an individual employee, however, trial lawyers can make an end run around recreational immunity and go forward with cases that were completely blocked prior to Johnson v. Gibson.

Some PACE members are contemplating restricting free public use of their facilities, up to and including fencing and no trespassing signs. PACE is not suggesting that members panic and lock up all its recreational facilities, but, it is important that members begin seriously thinking about the ramifications of this decision. PACE is working with its statewide public and private partners to expand the definition of "owner" to include employees, volunteers and agents. Any changes if successful will likely be in late 2017 or 2018. It is important to consider taking the necessary steps to minimize your exposure and help to provide a defense for the member and its employees in the event a lawsuit is filed.

The obvious PACE member exposures are playgrounds, gyms, basketball courts and athletic fields. Other areas of concern are undeveloped property that the public uses for hiking, biking as well as real property or facilities you have that you don't charge the public to access for

recreational purposes.

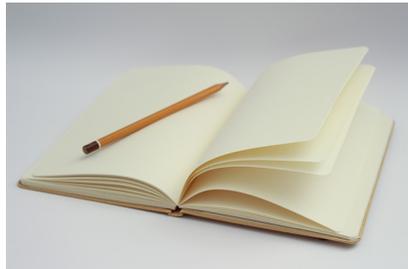
Risk management strategies to consider include:

- * any deferred maintenance projects where hazards were noted should be completed and repairs made immediately.
- * assign a “risk owner” for each recreational facility to ensure regular inspections and repairs. Give “risk owners” the responsibility and the accountability to remove hazards and make facilities safe.
- * document your facility inspections and make repairs that are noted in the inspection.
- * if you cannot fix an issue that has been identified right away consider closing or shutting down the area or facility until the repairs are made or until there is has been further resolution to the recreational immunity protections.
- * review all prior incidents and accidents involving recreational facilities and if problem has not been fixed consider closing recreational facilities where prior accidents or injuries have occurred.
- * add warning signs instructing participants are using the recreational facility at their own risk.
- * consider closing facilities which are high risk (e.g., weight rooms, wrestling rooms, vocational shops, auditoriums, etc.) or where the facilities are outdated or in various states of disrepair.
- * have PACE Risk Management come out and do a walk thru of any facilities open for public recreation and provide suggestions.

As indicated earlier in this article, PACE is continuing to work to return recreational immunity to a pre-Johnson state. You can help by discussing the consequences of the Oregon Supreme Court’s decision at the local level with your elected representatives.

If you have any questions or need further assistance, please contact PACE Risk Management at riskmanagement@sdao.com or PACE Pre-Loss at pacepreloss@osba.org

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2016-2017 General Fund Summary Report

| | 13/14 Actual | 14/15 Actual | 15/16 Actual | 16/17 Budget | 1-31-17 YTD & Enc | 1-31-17 Balance | 16/17 Project 1/31/2017 |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------------------------|--------------------|-------------------------------|
| General Fund - Revenue | | | | | | | |
| SSF Formula | 33,010,958 | 34,926,096 | 36,112,627 | 36,450,825 | 26,421,016 | 10,029,809 | 37,120,600 |
| SSF Adjustment | 354,709 | 48,134 | (330,463) | - | - | - | (400,000) |
| Interest | 55,090 | 62,596 | 91,245 | 70,000 | 54,300 | 15,700 | 92,000 |
| Third Party Billing | 35,680 | 25,179 | 45,178 | 50,000 | 39,485 | 10,515 | 60,000 |
| TMR | 189,021 | 154,930 | 149,514 | 175,000 | - | 175,000 | 208,000 |
| JROTC | 44,877 | 64,220 | 66,034 | 65,000 | 39,216 | 25,784 | 66,000 |
| Other | 493,650 | 379,017 | 297,128 | 450,000 | 166,392 | 283,608 | 372,000 |
| Interfund Transfer | 680,000 | 60,000 | 60,000 | 60,000 | 37,463 | 22,537 | 60,000 |
| BFB | 1,065,336 | 3,162,455 | 3,932,387 | 2,950,000 | 3,024,733 | (74,733) | 3,025,000 |
| Total | 35,929,322 | 38,882,628 | 40,423,650 | 40,270,825 | 29,782,607 | 10,488,218 | 40,603,600 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| General Fund - Expenses | | | | | | | |
| Salaries | 15,946,123 | 16,263,399 | 17,884,343 | 18,652,514 | 18,074,605 | 577,909 | 18,832,500 |
| Benefits | 9,581,618 | 10,020,660 | 10,645,144 | 11,477,648 | 10,514,222 | 963,426 | 10,814,420 |
| P. Services | 4,781,674 | 5,112,768 | 5,027,111 | 4,805,057 | 2,710,817 | 2,094,240 | 4,426,006 |
| Supplies | 1,123,636 | 1,477,643 | 1,380,753 | 1,708,226 | 1,081,604 | 626,622 | 1,378,300 |
| Capital Outlay | - | 6,779 | 20,047 | 50,000 | 36,058 | 13,942 | 50,000 |
| Other Objects | 262,806 | 308,993 | 286,294 | 337,380 | 339,562 | (2,182) | 365,100 |
| Transfers | 902,369 | 1,760,000 | 2,155,225 | 2,240,000 | 2,065,000 | 175,000 | 2,165,000 |
| Contingency | - | - | - | 1,000,000 | - | 1,000,000 | - |
| Total | 32,598,226 | 34,950,241 | 37,398,917 | 40,270,825 | 34,821,869 | 5,448,956 | 38,031,326 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| | | | | | <i>Projected Ending Fund Balance</i> | | <i>2,572,274</i> |

2016-2017 General Fund Revenue Report

| | 13/14 Actual | 14/15 Actual | 15/16 Actual | 16/17 Budget | 1-31-17 YTD | 1-31-17 Balance | 16/17 Project 1/31/2017 |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------------------|
| SSF Formula | | | | | | | |
| Taxes | 7,903,432 | 8,234,812 | 8,533,160 | 8,675,000 | 8,275,825 | 399,175 | 8,677,600 |
| Federal Forest Fees | 270,219 | 264,679 | 205,708 | 150,000 | - | 150,000 | 150,000 |
| Common School | 390,784 | 409,884 | 492,013 | 416,000 | - | 416,000 | 502,000 |
| State Timber | 210,996 | 405,152 | 181,382 | 100,000 | 60,543 | 39,457 | 181,000 |
| School Support Fund | 24,235,526 | 25,578,283 | 26,623,971 | 27,109,825 | 18,084,648 | 9,025,177 | 27,534,000 |
| Adjustments to SSF Payments | | | | | | | |
| Adj for 05/06 payments | - | - | - | - | - | - | - |
| Adj for HC Disability Grant | 44,585 | 33,286 | 76,394 | - | - | - | 76,000 |
| Adj for 11/12 payment | - | - | - | - | - | - | - |
| Adj for 12/13 payment | 310,123 | - | - | - | - | - | - |
| Adj for 13/14 payment | - | 48,134 | - | - | - | - | - |
| Adj for 14/15 payment | - | - | (330,463) | - | - | - | - |
| Adj for 15/16 payment | - | - | - | - | - | - | (400,000) |
| Total SSF Formula | 33,365,667 | 34,974,231 | 35,782,164 | 36,450,825 | 26,421,016 | 10,029,809 | 36,720,600 |
| Interest of Investments | 55,090 | 62,596 | 91,245 | 70,000 | 54,300 | 15,700 | 92,000 |
| Third Party billing - Medicaid | 35,680 | 25,179 | 45,178 | 50,000 | 39,485 | 10,515 | 60,000 |
| TMR | 189,021 | 154,930 | 149,514 | 175,000 | - | 175,000 | 208,000 |
| JROTC reimbursement | 44,877 | 64,220 | 66,034 | 65,000 | 39,216 | 25,784 | 66,000 |
| Other | | | | | | | |
| Rental Fees | 24,989 | 27,828 | 10,474 | 10,000 | 2,202 | 7,798 | 5,000 |
| Fees Charged to Grants | - | - | 800 | 50,000 | - | 50,000 | - |
| Miscellaneous | 396,771 | 282,468 | 202,944 | 310,000 | 87,343 | 222,657 | 290,000 |
| E-Rate reimbursement | 71,891 | 68,721 | 82,910 | 80,000 | 76,847 | 3,153 | 77,000 |
| Interfund Transfer - Athletics | 680,000 | 60,000 | 60,000 | 60,000 | 37,463 | 22,537 | 60,000 |
| Beginning Fund Balance | 1,065,336 | 3,162,455 | 3,932,387 | 2,950,000 | 3,024,733 | (74,733) | 3,025,000 |
| Total | 35,929,322 | 38,882,628 | 40,423,650 | 40,270,825 | 29,782,607 | 10,488,218 | 40,603,600 |

2016-2017 General Fund Expenditure Report

| Obj | Description | | | | | | | | 1/31/2017 |
|-----|----------------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|--------------------|-------------------|
| | | 13/14 Actual | 14/15 Actual | 15/16 Actual | 16/17 Budget | 1-31-17 YTD | 1-31-17 Encumb | 1-31-17 Balance | 16/17 Project |
| 111 | Certified salaries | 9,312,212 | 9,311,147 | 10,161,648 | 10,626,822 | 4,546,701 | 6,271,247 | (191,127) | 10,848,000 |
| 112 | Classified salaries | 3,821,771 | 4,164,521 | 4,545,055 | 4,967,526 | 2,256,238 | 2,491,109 | 220,179 | 4,734,000 |
| 113 | Administrative salaries | 1,409,054 | 1,464,907 | 1,648,330 | 1,612,788 | 945,890 | 675,464 | (8,566) | 1,621,000 |
| 114 | Managerial - classified | 92,856 | 94,714 | 178,755 | 187,684 | 109,548 | 78,249 | (113) | 188,000 |
| 116 | Retirement stipends | 99,065 | 76,123 | 51,134 | 44,000 | 21,497 | 14,124 | 8,379 | 41,000 |
| 118 | Retirement Support Program | 159,600 | - | - | - | - | - | - | - |
| 119 | Confidential salaries | 125,872 | 125,785 | 84,504 | 95,139 | 72,131 | 59,567 | (36,559) | 132,000 |
| 121 | Certified subs | 364,590 | 373,350 | 432,293 | 382,854 | 176,678 | - | 206,176 | 468,000 |
| 122 | Classified subs | 147,575 | 148,818 | 155,004 | 162,800 | 62,773 | - | 100,027 | 153,000 |
| 123 | Temp certified | 61,461 | 62,030 | 73,949 | 53,500 | 35,279 | - | 18,221 | 96,000 |
| 124 | Temp classified | 3,775 | 982 | - | 500 | - | - | 500 | - |
| 127 | Student helpers salaries | 12,466 | 11,768 | 7,895 | 6,000 | 1,618 | - | 4,382 | 2,000 |
| 132 | Compensation time | 19,026 | 23,861 | 25,767 | 32,650 | 3,553 | - | 29,097 | 27,500 |
| 133 | Extra duty | 149,434 | 254,381 | 324,897 | 324,201 | 146,347 | 26,627 | 151,227 | 325,000 |
| 134 | Classified extra hrs | 123,909 | 142,975 | 185,048 | 135,000 | 78,553 | - | 56,447 | 186,000 |
| 135 | Vacation Payoff | 17,384 | 4,377 | 6,938 | 15,650 | - | - | 15,650 | 7,000 |
| 136 | Mentor teacher pay | 1,568 | 990 | 609 | - | - | - | - | 1,000 |
| 137 | Personal Leave Payout | 22,057 | 75 | - | - | - | - | - | - |
| 138 | Department Head Extra Duty | 2,122 | 2,159 | 1,613 | 4,000 | 613 | - | 3,388 | 1,500 |
| 142 | Taxable Meal Reimbursement | 328 | 436 | 903 | 1,400 | 800 | - | 600 | 1,500 |
| | Total Salaries | 15,946,123 | 16,263,399 | 17,884,343 | 18,652,514 | 8,458,218 | 9,616,387 | 577,909 | 18,832,500 |
| | | | | | | | | - | |
| 210 | PERS | 3,955,693 | 3,976,407 | 4,187,401 | 4,682,670 | 1,968,321 | 2,249,316 | 465,033 | 4,326,800 |
| 220 | Social Security | 1,183,575 | 1,207,537 | 1,328,140 | 1,391,886 | 622,363 | 699,554 | 69,969 | 1,379,900 |
| 231 | Worker's Comp | 119,163 | 136,822 | 173,370 | 219,075 | 103,576 | 99,763 | 15,736 | 208,600 |
| 241 | Employee Ins - Admin | | 177,948 | 212,862 | 220,380 | 122,087 | 87,466 | 10,828 | 209,000 |
| 242 | Employee Ins - Certified | 2,146,033 | 2,307,416 | 2,328,554 | 2,432,267 | 985,543 | 1,352,281 | 94,443 | 2,350,000 |
| 243 | Employee Ins - Classified | 1,721,374 | 1,874,827 | 2,137,321 | 2,249,129 | 956,422 | 1,099,134 | 193,573 | 2,090,000 |
| 244 | Employee Ins - Other | 20,636 | 20,700 | 7,731 | 25,820 | 13,123 | 14,001 | (1,304) | 27,120 |
| 245 | Employee Ins - Retired | 389,149 | 276,090 | 228,774 | 230,000 | 119,191 | - | 110,809 | 200,000 |
| 247 | TSA | 45,996 | 42,912 | 40,991 | 26,421 | 17,082 | 5,000 | 4,339 | 23,000 |
| | Total Benefits | 9,581,618 | 10,020,660 | 10,645,144 | 11,477,648 | 4,907,707 | 5,606,516 | 963,426 | 10,814,420 |
| | | | | | | | | - | |

2016-2017 General Fund Expenditure Report

| | | 1/31/2017 | | | | | | | | |
|-----|----------------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|--------------------|------------------|--|
| Obj | Description | 13/14 Actual | 14/15 Actual | 15/16 Actual | 16/17 Budget | 1-31-17 YTD | 1-31-17 Encumb | 1-31-17 Balance | 16/17 Project | |
| 311 | Instructional Services | 69,272 | 152,856 | 157,581 | 180,800 | 49,427 | 60,000 | 71,373 | 160,000 | |
| 312 | Instr Prog Improve Service | 18,733 | 43,468 | 36,748 | 20,000 | 21,224 | - | (1,224) | 35,000 | |
| 319 | Other Instr-Prof-Tech SVCS | 14,977 | 21,870 | 9,745 | 15,000 | 11,070 | - | 3,930 | 15,500 | |
| 322 | Repairs & Maintenance | 101,489 | 163,270 | 168,482 | 108,517 | 82,513 | 29,594 | (3,589) | 165,876 | |
| 323 | Radio Service | - | - | 7,767 | - | 31,654 | 7,209 | (38,863) | 38,900 | |
| 324 | Rentals | 121,204 | 135,308 | 104,777 | 140,350 | 58,355 | 21,728 | 60,266 | 120,430 | |
| 325 | Electricity | 440,338 | 467,896 | 473,758 | 472,100 | 253,317 | - | 218,783 | 473,800 | |
| 326 | Fuel | 187,486 | 177,759 | 187,899 | 236,000 | 52,218 | - | 183,782 | 187,900 | |
| 327 | Water & Sewer | 112,986 | 139,255 | 121,239 | 145,900 | 82,296 | - | 63,604 | 124,500 | |
| 328 | Garbage | 77,676 | 86,324 | 96,811 | 95,600 | 37,765 | - | 57,835 | 96,800 | |
| 329 | Other Property Services | 420 | 13,001 | 19,246 | 11,400 | 23,528 | 1,850 | (13,978) | 30,000 | |
| 330 | Reimb. Student Transportation | 4,204 | 6,950 | - | 8,800 | 239 | - | 8,561 | 15,000 | |
| 340 | Travel | 65,317 | 114,592 | 140,225 | 136,690 | 87,272 | 724 | 48,694 | 228,000 | |
| 343 | Travel - Student - Out of Dist. | 1,665 | - | - | 4,150 | - | - | 4,150 | - | |
| 346 | Meals/Transportation | 148 | 104 | 48 | 500 | 99 | - | 401 | 200 | |
| 348 | Staff Tuition | 30,645 | 49,577 | 44,768 | 40,000 | 38,582 | 4,043 | (2,624) | 48,000 | |
| 351 | Telephone | 67,513 | 82,642 | 70,529 | 71,300 | 18,482 | 2,502 | 50,316 | 50,000 | |
| 353 | Postage | 25,894 | 23,607 | 21,909 | 28,650 | 7,548 | - | 21,102 | 23,800 | |
| 354 | Advertising | 1,874 | 4,416 | 3,551 | 4,700 | 2,290 | - | 2,410 | 3,300 | |
| 355 | Printing & Binding | 13,897 | 68,861 | 48,223 | 82,100 | 32,376 | 430 | 49,294 | 43,700 | |
| 360 | Charter School Payments | 1,954,971 | 2,064,403 | 1,961,788 | 2,085,000 | 1,310,009 | - | 774,991 | 1,800,000 | |
| 371 | Tuitions Payments to Other Dist. | 37,250 | 40,570 | 29,701 | 125,000 | 29,536 | - | 95,464 | 30,000 | |
| 373 | Tuition Pay Private School | - | - | - | 5,000 | - | - | 5,000 | - | |
| 374 | Other Tuition | 782,257 | 605,954 | 625,503 | 257,000 | 30 | - | 256,970 | 200,000 | |
| 381 | Audit Services | 27,150 | 27,650 | 25,150 | 30,000 | 17,700 | - | 12,300 | 30,000 | |
| 382 | Legal Services | 9,011 | 2,028 | 5,288 | 25,000 | 292 | - | 24,708 | 5,400 | |
| 384 | Negotiation Services | 14,344 | 5,934 | 13,784 | 10,000 | 2,552 | - | 7,448 | 11,400 | |
| 386 | Data Processing SVCS | 57,261 | 59,787 | 76,794 | 81,300 | 41,518 | 120 | 39,662 | 76,800 | |
| 388 | Election Services | - | 4,565 | - | 10,000 | - | - | 10,000 | 8,500 | |
| 389 | Other Non_instr Pro/Tech | 510,398 | 515,889 | 539,114 | 330,600 | 151,595 | 102,602 | 76,403 | 366,600 | |
| 391 | Physical Exams - Drivers | 2,175 | 2,380 | 3,168 | 3,700 | 2,030 | 1,770 | (100) | 3,800 | |
| 392 | Drug Tests Drivers | 1,110 | 1,110 | 635 | 3,000 | 675 | 1,325 | 1,000 | 1,000 | |
| 393 | Child Care Services | 22,000 | 22,000 | 22,000 | 25,000 | 11,000 | 11,000 | 3,000 | 22,000 | |
| 394 | Sub calling service | 5,536 | 5,559 | 7,489 | 8,000 | 6,464 | - | 1,536 | 6,500 | |
| 396 | Criminal History checks | 2,332 | 2,546 | 2,928 | 2,900 | 2,265 | - | 635 | 2,900 | |
| 398 | Fingerprinting | 138 | 639 | 462 | 1,000 | - | - | 1,000 | 400 | |
| | Total P. Services | 4,781,674 | 5,112,768 | 5,027,111 | 4,805,057 | 2,465,922 | 244,896 | 2,094,240 | 4,426,006 | |

2016-2017 General Fund Expenditure Report

| | | 1/31/2017 | | | | | | | |
|-----|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| Obj | Description | 13/14 Actual | 14/15 Actual | 15/16 Actual | 16/17 Budget | 1-31-17 YTD | 1-31-17 Encumb | 1-31-17 Balance | 16/17 Project |
| 406 | Gas Oil & Lubricants | 189,904 | 152,805 | 103,868 | 211,000 | 47,158 | 114,527 | 49,315 | 115,000 |
| 410 | Supplies & Materials | 356,317 | 457,671 | 419,096 | 534,498 | 364,468 | 34,057 | 135,973 | 458,000 |
| 413 | Vehicle repair parts | 54,783 | 50,201 | 48,980 | 63,000 | 25,250 | 19,620 | 18,130 | 51,300 |
| 414 | Transportation operations | 5,262 | 5,674 | 6,060 | 5,300 | 3,682 | 2,001 | (383) | 5,700 |
| 420 | Textbooks | 173,653 | 240,685 | 131,379 | 195,300 | 57,582 | 2,781 | 134,937 | 84,000 |
| 430 | Library Books | 6,636 | 9,934 | 8,588 | 11,200 | 2,151 | - | 9,049 | 8,400 |
| 440 | Periodicals | 3,753 | 6,012 | 1,937 | 4,920 | 3,711 | - | 1,209 | 3,900 |
| 460 | Equipment under 5K | 122,132 | 125,632 | 212,514 | 233,322 | 100,360 | 7,482 | 125,480 | 213,000 |
| 470 | Computer software | 139,153 | 173,513 | 195,888 | 241,775 | 135,556 | 4,490 | 101,729 | 185,000 |
| 480 | Computer hardware | 72,041 | 255,516 | 252,444 | 207,911 | 139,829 | 16,900 | 51,182 | 254,000 |
| | Total Supplies & Materials | 1,123,636 | 1,477,643 | 1,380,753 | 1,708,226 | 879,746 | 201,858 | 626,622 | 1,378,300 |
| 540 | Equipment | - | 6,779 | 20,047 | 50,000 | 36,058 | - | 13,942 | 50,000 |
| | Total Capital Outlay | - | 6,779 | 20,047 | 50,000 | 36,058 | 0 | 13,942 | 50,000 |
| 621 | Regular Interest | - | - | - | 500 | - | - | 500 | - |
| 640 | Dues & Fees | 51,933 | 92,488 | 67,655 | 103,080 | 109,719 | 264 | (6,903) | 130,000 |
| 650 | Insurance & Judgments | 210,873 | 216,456 | 218,639 | 233,600 | 229,579 | - | 4,021 | 235,000 |
| 670 | Taxes & Licenses | - | 49 | - | 200 | - | - | 200 | 100 |
| | Total Other Objects | 262,806 | 308,993 | 286,294 | 337,380 | 339,298 | 264 | (2,182) | 365,100 |
| 710 | Transfer - Technology | 50,000 | 175,000 | 200,000 | 225,000 | 225,000 | - | - | 225,000 |
| 711 | Transfer - Classroom Furniture | - | 50,000 | 50,000 | 25,000 | 25,000 | - | - | 25,000 |
| 712 | Transfer - Textbook Adoption | 50,000 | 350,000 | 350,000 | 300,000 | 300,000 | - | - | 300,000 |
| 713 | Transfer - Capital Improvement | 150,000 | 225,000 | 250,000 | 250,000 | 250,000 | - | - | 250,000 |
| 714 | Transfer - Track and Turf Fund | 100,000 | 110,000 | 110,000 | 10,000 | 10,000 | - | - | 10,000 |
| 715 | Transfer - Athletic Fund | 336,000 | 365,000 | 365,000 | 405,000 | 405,000 | - | - | 405,000 |
| 716 | Transfer - Bus Replacement | 150,000 | 250,000 | 250,000 | 250,000 | 250,000 | - | - | 250,000 |
| 717 | Transfer - Unemploy Ins | 50,000 | 25,000 | 15,000 | 25,000 | - | - | 25,000 | 25,000 |
| 718 | PERS Reserve | - | 150,000 | 500,000 | 500,000 | 500,000 | - | - | 500,000 |
| 719 | Transfer - Food Service | 16,369 | 50,000 | 65,225 | 150,000 | - | - | 150,000 | 75,000 |
| 730 | Transfer - Debt Service | - | - | - | 100,000 | 100,000 | - | - | 100,000 |
| 731 | Transfer - Academic Achievememr | - | 10,000 | - | - | - | - | - | - |
| | Total Transfers | 902,369 | 1,760,000 | 2,155,225 | 2,240,000 | 2,065,000 | - | 175,000 | 2,165,000 |
| 810 | Reserve/Contingency | - | - | - | 1,000,000 | - | - | 1,000,000 | - |
| | Grand Total | 32,598,226 | 34,950,241 | 37,398,917 | 40,270,825 | 19,151,948 | 15,669,920 | 5,448,956 | 38,031,326 |

2016-2017 All Funds Summary Report

| Fund | Description | 13/14 | 14/15 | 15/16 | 15/16 | 16/17 | 1-31-17 | 1-31-17 | 1-31-17 | 1/31/2017 | 16/17 |
|------|-----------------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| | | Actual | Actual | Actual | EFB | Adopted Budget | Y-T-D | Encumb | Balance | Proj. Actual | Proj. EFB |
| 100 | General Fund | 32,766,866 | 34,950,241 | 37,398,917 | | 40,270,825 | 19,151,948 | 15,669,920 | 5,448,956 | 38,031,326 | 2,572,274 |
| 200 | Grant Funds | 2,663,753 | 2,591,884 | 2,353,551 | 2,002 | 5,200,500 | 1,427,680 | 1,090,949 | 2,681,871 | 2,536,000 | - |
| 205 | Senate Bill 1149 | - | 185,000 | - | 88,329 | 171,500 | - | - | 171,500 | - | 155,000 |
| 212 | Academic Achievement | 1,500 | - | - | 18,650 | 28,650 | - | - | 28,650 | 5,000 | 13,650 |
| 230 | Bus Replacement | - | 100,735 | - | 554,882 | 804,900 | 633,327 | - | 171,573 | 634,000 | 175,000 |
| 232 | Classroom Furniture | - | 50,000 | 40,792 | 9,208 | 38,000 | 12,621 | 3,165 | 22,214 | 22,000 | 13,000 |
| 240 | Textbook Adoption | 107,421 | 18,550 | 759,564 | 973 | 485,000 | 61,748 | 8,644 | 414,608 | 75,000 | 200,000 |
| 272 | Capital Improvments | 319,070 | 284,536 | 156,950 | 93,050 | 330,000 | 134,911 | 21,466 | 173,624 | 300,000 | 43,000 |
| 274 | Technology | 52,899 | 124,500 | 495 | 270,949 | 496,444 | - | - | 496,444 | 150,000 | 350,000 |
| 277 | Track and Turf Replacement | 100,000 | 100,000 | 100,000 | 77,754 | 118,000 | - | - | 118,000 | - | 100,000 |
| 279 | Student Activity | 593,221 | 590,053 | 632,780 | 483,120 | 1,120,000 | 364,980 | 24,159 | 730,862 | 615,000 | 500,000 |
| 286 | High School Athletics | 445,218 | 445,055 | 453,152 | 91,820 | 581,000 | 340,417 | 86,093 | 154,489 | 475,000 | 100,000 |
| 292 | CTE Local Fund | - | - | - | - | 100,000 | - | - | 100,000 | - | - |
| 296 | Nutrition Services | 1,683,116 | 1,596,163 | 1,615,906 | 340,043 | 2,020,907 | 777,603 | 623,622 | 619,682 | 1,630,000 | 400,000 |
| 299 | PERS Reserve | 630,000 | - | - | 650,000 | 1,150,000 | - | - | 1,150,000 | - | 1,150,000 |
| 300 | Debt Service | 3,359,330 | 3,442,481 | 3,528,481 | 65,481 | 3,618,482 | 999,241 | - | 2,619,241 | 3,618,500 | 15,000 |
| 310 | Debt Service / SB 1149 | 5,151 | - | - | - | - | - | - | - | - | - |
| 311 | 2011 Non-Bonded Debt | 223,547 | 223,547 | 223,547 | 119,551 | 349,715 | 48,607 | - | 301,108 | 223,547 | 126,000 |
| 400 | Capital Projects | - | - | - | - | - | - | - | - | - | - |
| 411 | Capital Projects - Bond # 2 | - | - | - | - | - | - | - | - | - | - |
| 530 | Vocational House Fund | - | - | - | - | 250,000 | - | - | 250,000 | - | - |
| 601 | Unemployment | 37,166 | 37,539 | 10,646 | 95,630 | 120,000 | 9,769 | 15,231 | 94,999 | 20,000 | 100,000 |
| | Grand Total | 42,988,258 | 44,740,285 | 47,274,779 | 2,961,442 | 57,253,923 | 23,962,852 | 17,543,249 | 15,747,822 | 48,335,373 | 6,012,924 |
| | | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Lebanon Community School District No. 9
Lebanon, Oregon 97355

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of Lebanon Community School District No. 9 for the year ended June 30, 2016, and issued our report thereon dated December 28, 2016. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 3, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Qualitative Aspects of the District's Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Lebanon Community School District No. 9 are described in Note I to the financial statements. No new accounting policies were adopted during the year ended June 30, 2016. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management's estimate of depreciable lives and salvage values of capital assets, which are based on expected useful lives of the assets and current market conditions. We evaluated the key factors and assumptions used to develop the depreciable lives and salvage values and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Lebanon Community School District No. 9's financial statements relate to long-term liabilities, pensions, and post-employment benefits.

The financial statement disclosures are neutral, consistent, and clear.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the attached letter dated December 28, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Matters

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of board of directors and management of Lebanon Community School District No. 9, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive style with a large, stylized "A" and "C".

December 28, 2016

Accuity, LLC
Certified Public Accountants
436 1st Avenue W
P.O. Box 1072
Albany, Oregon 97321

This representation letter is provided in connection with your audit of the financial statements of Lebanon Community Schools, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2016, the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of signature of this letter, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 3, 2016, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP, and include all properly classified funds and other financial information of the District required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. If any, the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit.
9. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
10. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:
 - a. Access to all information of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the board of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

District-Specific

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, grant agreements, or abuse that you have reported to us, if any.
21. We have a process to track the status of audit findings and recommendations, if applicable.
22. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
23. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.
24. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

25. We are responsible for compliance with laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
27. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objective.
28. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
29. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants, whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or for reporting on noncompliance.
30. As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
31. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
32. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
33. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
34. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

35. Components of net position (net investment in capital assets, restricted, and unrestricted) and equity amounts are properly classified and, if applicable, approved.
36. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
37. Provisions for uncollectible receivables have been properly identified and recorded.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
39. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
41. If any, special and extraordinary items are appropriately classified and reported.
42. Deposits, investment securities, and derivative instruments are properly classified as to risk and are properly disclosed.
43. Capital assets, including intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
44. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
45. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
46. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
47. With respect to the individual fund schedules, other financial schedules, supplemental information required by the Oregon Department of Education, and the federal award information required by the Uniform Guidance:

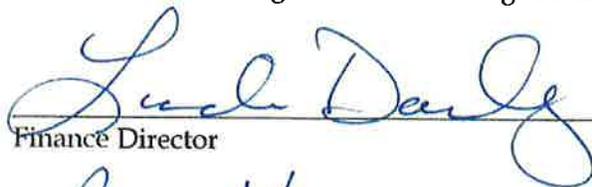
- a. We acknowledge our responsibility for presenting the aforementioned information in accordance with accounting principles generally accepted in the United States of America, and we believe this information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the aforementioned information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of this information.
- b. If the aforementioned information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the information no later than the date we issue the supplementary information and the auditor's report thereon.

48. With respect to federal award programs:

- a. We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, including requirements relating to preparation of the schedule of expenditures of federal awards.
- b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended, other than previously noted by you.
- g. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including, when applicable, those set forth in the OMB Compliance Supplement, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards OR confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards, if any.
- j. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k. If any, we have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.

- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We have charged costs to federal awards in accordance with applicable cost principles.
- u. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- v. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- w. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- x. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- y. We have disclosed to you all contracts or other agreements with service organizations, if any, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.



Finance Director

12/22/16

Date



Superintendent

12/22/16

Date



LEBANON
Community Schools

Pursuing excellence for every student every day

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2016



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS
436 1st Avenue W | PO Box 1072
Albany, Oregon 97321 | (541) 223-5555

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

DISTRICT OFFICIALS

June 30, 2016

BOARD OF DIRECTORS

Russ McUne
35632 Brewster Road
Lebanon, Oregon 97355

Mike Martin
769 Mountain River Road
Lebanon, Oregon 97355

Liz Alperin, Vice Chair
39685 Boatman Road
Lebanon, Oregon 97355

Richard Borden, Chair
320 Wheeler Street
Lebanon, Oregon 97355

Jerry Williams
2469 Kokanee Way
Lebanon, Oregon 97355

ADMINISTRATION

Robert T. Hess, Superintendent

Linda Darling, Business Director

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

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June 30, 2016

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FINANCIAL SECTION



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lebanon Community School District No. 9
Lebanon, Oregon 97355

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Lebanon Community School District No. 9, Lebanon, Oregon, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Sand Ridge Charter School, a discretely presented component unit, which represents 0.65%, 2.4% and 5%, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors, whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Sand Ridge Charter School, is based solely on the report of the other auditors. We conducted our audit 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200; *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity's 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 entity's 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the remaining fund information of Lebanon Community School District No. 9, Lebanon, Oregon as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and employer contributions, and budgetary comparison information on pages 4 through 11, 49 through 51, and 52 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress and employer contributions in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis or schedules of funding progress and employer contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison 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 budgetary comparison information is 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 Lebanon Community School District No. 9's basic financial statements. The individual fund schedules, other financial schedules, and supplemental information required by the Oregon Department of Education are presented for purposes of additional analysis and are 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The supplemental information required by the Oregon Department of Education 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.

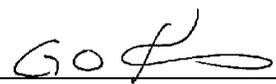
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its 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 the 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 the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 28 on our tests of the District's compliance with certain provisions of laws and regulations 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.

Accuity, LLC

By:  _____
Glen O. Kearns, CPA

Albany, Oregon
December 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of Lebanon Community School District No. 9, Lebanon, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, total net position of Lebanon Community School District No. 9 amounted to \$(19,270,145). Of this amount, \$(8,188,835) was invested in capital assets, net of related debt. The remaining balance included \$1,386,106 restricted for various purposes and \$(12,467,416) of unrestricted net position.
- At June 30, 2016, the District's governmental funds reported combined ending fund balances of \$5,890,551.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Lebanon Community School District No. 9's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to private-sector business.

The statement of net position presents information on all the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sand Ridge Charter School is a charter school sponsored by the District and is reported as a discretely presented component unit. Their complete financial statements may be obtained from the District's administrative offices. The District is not financially responsible for the charter school, but the nature and significance of their financial relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The component unit is presented in total in a separate column in the government-wide financial statements to emphasize that they are a legally separate organization from the District. Revenues reported by the component unit as state school fund monies equal the amount passed through the District.

The government-wide financial statements can be found on pages 2 through 4 of this report.

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of Lebanon Community School District No. 9 can be divided into two categories: governmental funds and proprietary funds.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Special Revenue, and Debt Service Funds, all of which are considered to be major governmental funds.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lebanon Community School District No. 9 adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District maintains one proprietary fund, which is an internal service fund.

Internal service funds serve as an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses the internal service fund to account for its unemployment insurance. Because this predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 2 through 8 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes schedules of funding progress and employer contributions, as well as budgetary comparison information for the General and Special Revenue Funds. This required supplementary information can be found on pages 9 through 13 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 4 through 5 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. As of June 30, 2016, the District's liabilities exceeded its assets by \$9,270,145.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

A portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for classrooms and supporting services for providing kindergarten through twelfth grade education; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Position

The District's net position decreased by \$15,315,824 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

| | Governmental Activities | |
|---|--------------------------------|----------------|
| | 2016 | 2015 |
| Assets | | |
| Current and other assets | \$ 9,522,812 | \$ 17,921,982 |
| Restricted assets | 1,155,634 | 1,185,293 |
| Capital assets, net of accumulated depreciation | 38,117,443 | 39,719,830 |
| Total assets | 48,795,889 | 58,827,105 |
| Deferred outflows of resources | 4,961,756 | 3,928,713 |
| Liabilities | | |
| Current liabilities | 4,464,881 | 4,208,710 |
| Noncurrent liabilities | 63,725,981 | 46,411,916 |
| Total liabilities | 68,190,862 | 50,620,626 |
| Deferred inflows of resources | 4,836,928 | 16,089,513 |
| Net position | | |
| Net investment in capital assets | (8,188,835) | (8,167,086) |
| Restricted for various purposes | 1,386,106 | 1,329,371 |
| Unrestricted | (12,467,416) | 2,883,394 |
| Total net position | \$ (19,270,145) | \$ (3,954,321) |

District's Changes in Net Position

The condensed statement of activities information shown on the following page explains changes in net position.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

| | Governmental Activities | |
|---|--------------------------------|-----------------------|
| | <u>2016</u> | <u>2015</u> |
| Program revenues | | |
| Charges for services | \$ 322,612 | \$ 466,857 |
| Operating grants and contributions | <u>4,726,387</u> | <u>4,745,649</u> |
| Total program revenues | <u>5,048,999</u> | <u>5,212,506</u> |
| General revenues | | |
| Taxes | 12,034,904 | 11,814,520 |
| State school fund - general support | 26,293,507 | 25,626,418 |
| Common school fund | 492,013 | 409,884 |
| Unrestricted state and local revenue | 181,382 | 405,152 |
| Unrestricted grants and contributions | 355,222 | 419,609 |
| Investment earnings | 183,761 | 153,623 |
| Pension credit | - | 7,433,649 |
| Miscellaneous | <u>274,684</u> | <u>293,492</u> |
| Total general revenues | <u>39,815,473</u> | <u>46,556,347</u> |
| Total revenues | <u>44,864,472</u> | <u>51,768,853</u> |
| Program expenses | | |
| Regular programs | 23,399,549 | 12,048,959 |
| Special programs | 12,013,682 | 8,375,851 |
| Summer school programs | 118,615 | 44,328 |
| Student support services | 3,205,646 | 454,862 |
| Instructional staff support | 1,824,240 | 1,285,213 |
| General administrative support | 361,333 | 384,133 |
| School administrative support | 4,494,668 | 3,495,883 |
| Business support services | 6,761,626 | 5,654,223 |
| Central activities support | 1,624,216 | 1,414,330 |
| Enterprise and community services | 2,118,468 | 1,667,702 |
| Supplemental retirement | 477,967 | 614,105 |
| Unallocated depreciation expense | 1,742,353 | 1,836,721 |
| Interest on long-term debt | <u>2,037,933</u> | <u>2,111,673</u> |
| Total program expenses | <u>60,180,296</u> | <u>39,387,983</u> |
| Change in net position | (15,315,824) | 12,380,870 |
| Net position - beginning of year | <u>(3,954,321)</u> | <u>(16,335,191)</u> |
| Net position - end of year | <u>\$ (19,270,145)</u> | <u>\$ (3,954,321)</u> |

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues

Since the District's mission is to provide a free and appropriate public education for kindergarten through twelfth grade students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide 89% of the funding required for governmental programs. Property taxes and state school funding combined for 96% of general revenues and 85% of total revenues.

Charges for services make up 1% of total revenues and are comprised of the following items for which it is appropriate that the District charge tuition or fees:

| | |
|---|-------------------|
| • Food services charges for lunch and breakfast | \$ 135,857 |
| • Various student extracurricular activities | <u>186,755</u> |
| Total charges for services | <u>\$ 322,612</u> |

Operating grants and contributions represent 11% of total revenues. Included in this category are \$4,726,387 for grants and contributions to support various educational activities, including grants to support school nutrition programs.

Expenses

Expenses related to governmental activities are presented in several broad functional categories. Costs of direct classroom instruction activities account for 59% of the total expenses of \$60,180,296. In addition, approximately 35% of the costs in supporting services relate to students, instructional staff, and school administration.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$5,890,551. Of this amount, \$3,024,733 constitutes unassigned fund balance, which is available for spending at the District's discretion.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was \$3,024,733, all of which was unassigned.

Proprietary Fund

The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net position of the proprietary fund at year-end amounted to \$95,630, all of which is considered to be unrestricted.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$38,117,443, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and equipment and vehicles. The total depreciation related to the District's investment in capital assets for the current fiscal year was \$1,742,353.

Major capital asset events during the current fiscal year included improvements of equipment.

Additional information on the District's capital assets can be found in Note III-B on pages 32 through 33 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total debt outstanding of \$43,410,000. This amount is comprised of general obligation bonds and qualified school construction bonds. The District's total debt outstanding decreased by \$1,475,000 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note III-D on pages 33 through 35 of this report.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its future health:

- The new Oregon minimum wage rates increases being implemented 2016-2023 will impact the District. The impact is not only in the areas within the minimum wage threshold but all wages for classified employees, which will have a large financial impact.
- Members of the Oregon Public Employees Retirement System have been faced with increases in retirement contributions. The average rates set for the 2017-2019 biennium are an increase of 4.55% which brings the District's required rate to slightly over 30%.

All of these factors were considered in preparing the District's budget for fiscal year 2016-2017.

The unassigned ending General Fund balance of \$3,024,733 will be available for program resources in fiscal year 2016-2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Lebanon Community School District No. 9's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the District Office, Lebanon Community School District No. 9, 485 S. 5th Street, Lebanon, Oregon 97355.

BASIC FINANCIAL STATEMENTS

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

STATEMENT OF NET POSITION

June 30, 2016

| | <u>Governmental Activities</u> | <u>Component Unit Sand Ridge Charter School</u> |
|---|------------------------------------|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 7,437,687 | \$ 262,014 |
| Accounts receivable | 1,022,657 | - |
| Inventory | 16,526 | - |
| Property taxes receivable | 866,490 | - |
| Total current assets | <u>9,343,360</u> | <u>262,014</u> |
| Restricted assets | | |
| Cash and cash equivalents | 166,957 | - |
| Cash with bond agent | 627,617 | - |
| Property taxes receivable | 361,060 | - |
| Total restricted assets | <u>1,155,634</u> | <u>-</u> |
| Net pension benefit - early retirement stipends | 127,242 | - |
| Net OPEB benefit | 52,210 | - |
| Capital assets not being depreciated | 1,411,570 | - |
| Capital assets, net of accumulated depreciation | 36,705,873 | 53,033 |
| Total assets | <u>48,795,889</u> | <u>315,047</u> |
| DEFERRED OUTFLOWS OF RESOURCES | 4,961,756 | 235,043 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 276,530 | 3,835 |
| Deposits held | - | 20,631 |
| Payroll liabilities | 2,348,038 | - |
| Accrued interest | 90,120 | - |
| Compensated absences | 130,193 | - |
| Long-term liabilities, current portion | 1,620,000 | - |
| Total current liabilities | 4,464,881 | 24,466 |
| Noncurrent liabilities | | |
| Net pension liability | 19,039,703 | 787,823 |
| Long-term liabilities, less current portion | 44,686,278 | - |
| Total long-term liabilities | 63,725,981 | 787,823 |
| Total liabilities | <u>68,190,862</u> | <u>812,289</u> |

(Continued)

The accompanying notes are an integral part of these financial statements.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

STATEMENT OF NET POSITION

June 30, 2016

(Continued)

| | Governmental Activities | Component Unit Sand Ridge Charter School |
|--|----------------------------|---|
| DEFERRED INFLOWS OF RESOURCES | | |
| Unearned revenue | \$ 95,098 | \$ - |
| Deferred investment earnings on pension assets | 4,741,830 | 201,349 |
| Total deferred inflows of resources | 4,836,928 | 201,349 |
| NET POSITION | | |
| Net investment in capital assets | (8,188,835) | 53,033 |
| Restricted for: | | |
| Student activities | 483,121 | - |
| Debt service | 812,649 | - |
| Energy efficient improvements | 88,329 | - |
| Grant programs | 2,007 | - |
| Unrestricted | (12,467,416) | (516,581) |
| Total net position | \$ (19,270,145) | \$ (463,548) |

The accompanying notes are an integral part of these financial statements.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Position</u> | |
|--|----------------------|---------------------------------|---|--|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Primary Governmental Activities</u> | <u>Component Unit Sand Ridge Charter School</u> |
| Primary government | | | | | |
| Governmental activities | | | | | |
| Instruction | \$ 35,531,846 | \$ 25,448 | \$ 2,277,946 | \$ (33,228,452) | \$ - |
| Support services | 18,749,696 | 161,307 | 875,317 | (17,713,072) | - |
| Enterprise and community services | 2,118,468 | 135,857 | 1,573,124 | (409,487) | - |
| Unallocated depreciation expense | 1,742,353 | - | - | (1,742,353) | - |
| Interest on long-term debt | 2,037,933 | - | - | (2,037,933) | - |
| Total governmental activities | <u>\$ 60,180,296</u> | <u>\$ 322,612</u> | <u>\$ 4,726,387</u> | <u>(55,131,297)</u> | <u>-</u> |
| Component unit | | | | | |
| Governmental activities | <u>\$ 2,715,244</u> | <u>\$ 159,879</u> | <u>\$ 5,350</u> | <u>-</u> | <u>(2,550,015)</u> |
| General revenues | | | | | |
| Property taxes levied for general purposes | | | | 8,617,124 | - |
| Property taxes levied for debt service | | | | 3,417,780 | - |
| State school fund - general support | | | | 26,293,507 | 1,961,788 |
| Common school fund | | | | 492,013 | - |
| Unrestricted state and local revenue | | | | 181,382 | - |
| Unrestricted grants and contributions | | | | 355,222 | - |
| Investment earnings | | | | 183,761 | 959 |
| Miscellaneous | | | | 274,684 | 8,857 |
| Total general revenues | | | | <u>39,815,473</u> | <u>1,971,604</u> |
| Change in net position | | | | (15,315,824) | (578,411) |
| Net position - beginning | | | | <u>(3,954,321)</u> | <u>114,863</u> |
| Net position - ending | | | | <u>\$ (19,270,145)</u> | <u>\$ (463,548)</u> |

The accompanying notes are an integral part of these financial statements.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

| | General Fund | Special Revenue Fund | Debt Service Fund | Total Governmental Funds |
|--|-----------------|----------------------------|-------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 5,136,775 | \$ 2,201,087 | \$ 166,957 | \$ 7,504,819 |
| Accounts receivable | 305,440 | 717,217 | - | 1,022,657 |
| Property taxes receivable | 866,490 | - | 361,060 | 1,227,550 |
| Supply inventory | - | 16,526 | - | 16,526 |
| Total assets | \$ 6,308,705 | \$ 2,934,830 | \$ 528,017 | \$ 9,771,552 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 113,389 | \$ 158,946 | \$ - | \$ 272,335 |
| Accrued liabilities | 2,348,038 | - | - | 2,348,038 |
| Total liabilities | 2,461,427 | 158,946 | - | 2,620,373 |
| Deferred inflows of resources | | | | |
| Unavailable revenue - property taxes | 822,545 | - | 342,985 | 1,165,530 |
| Unearned revenue - grant proceeds | - | 95,098 | - | 95,098 |
| Total deferred inflows of resources | 822,545 | 95,098 | 342,985 | 1,260,628 |
| Fund balances | | | | |
| Nonspendable | - | 16,526 | - | 16,526 |
| Restricted | - | 896,974 | 185,032 | 1,082,006 |
| Assigned | - | 1,767,286 | - | 1,767,286 |
| Unassigned | 3,024,733 | - | - | 3,024,733 |
| Total fund balances | 3,024,733 | 2,680,786 | 185,032 | 5,890,551 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 6,308,705 | \$ 2,934,830 | \$ 528,017 | \$ 9,771,552 |

The accompanying notes are an integral part of these financial statements.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2016

| | | |
|---|---------------------|-------------------------------|
| Total fund balances | | \$ 5,890,551 |
| Capital assets are not financial resources and are therefore not reported in the governmental funds: | | |
| Cost | 100,418,818 | |
| Accumulated depreciation | <u>(62,301,375)</u> | 38,117,443 |
| Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds. | | |
| | | 1,165,530 |
| Amounts relating to the District's proportionate share of PERS actuarial valuation balances are not reported in governmental fund statements. | | |
| Deferred outflows of resources relating to PERS | 4,961,756 | |
| Deferred inflows of resources relating to PERS | <u>(4,741,830)</u> | 219,926 |
| Long-term assets are not available to pay for current period expenditures and are therefore not reported as governmental fund assets. | | |
| Cash with escrow agent | 627,617 | |
| Net pension benefit - early retirement stipends | 127,242 | |
| Net OPEB benefit | <u>52,210</u> | 807,069 |
| The internal service fund is used by management to charge the costs of unemployment insurance premiums to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. | | |
| | | 95,630 |
| Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of: | | |
| Accrued interest | (90,120) | |
| Compensated absences | (130,193) | |
| Net pension liability - PERS | (19,039,703) | |
| Bond premiums | (2,896,278) | |
| Bonds payable | <u>(43,410,000)</u> | <u>(65,566,294)</u> |
| Net position of governmental activities | | \$ <u>(19,270,145)</u> |

The accompanying notes are an integral part of these financial statements.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

| | General Fund | Special Revenue Fund | Debt Service Fund | Total Governmental Funds |
|--|-----------------|----------------------------|-------------------------|--------------------------------|
| REVENUES | | | | |
| Local revenue | \$ 8,920,733 | \$ 1,173,593 | \$ 3,396,861 | \$ 13,491,187 |
| Intermediate revenue | 149,514 | 16,931 | - | 166,445 |
| State revenue | 27,043,296 | 73,140 | - | 27,116,436 |
| Federal revenue | 317,720 | 3,577,197 | - | 3,894,917 |
| Total revenues | 36,431,263 | 4,840,861 | 3,396,861 | 44,668,985 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 21,632,886 | 3,030,595 | - | 24,663,481 |
| Support services | 13,610,806 | 1,200,586 | - | 14,811,392 |
| Community services | - | 1,712,008 | - | 1,712,008 |
| Debt service | - | - | 3,752,028 | 3,752,028 |
| Total expenditures | 35,243,692 | 5,943,189 | 3,752,028 | 44,938,909 |
| Excess (deficiency) of revenues over (under) expenditures | 1,187,571 | (1,102,328) | (355,167) | (269,924) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Debt subsidy rebate | - | - | 90,603 | 90,603 |
| Transfers in | 60,000 | 2,150,225 | 100,000 | 2,310,225 |
| Transfers out | (2,155,225) | (170,000) | - | (2,325,225) |
| Total other financing sources (uses) | (2,095,225) | 1,980,225 | 190,603 | 75,603 |
| Net change in fund balances | (907,654) | 877,897 | (164,564) | (194,321) |
| Fund balances - beginning | 3,932,387 | 1,802,889 | 349,596 | 6,084,872 |
| Fund balances - ending | \$ 3,024,733 | \$ 2,680,786 | \$ 185,032 | \$ 5,890,551 |

The accompanying notes are an integral part of these financial statements.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

| | | |
|--|--------------------|------------------------|
| Net change in fund balances | | \$ (194,321) |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p> | | |
| Expenditures for capital assets | 139,966 | |
| Less current year depreciation | <u>(1,742,353)</u> | (1,602,387) |
| <p>Governmental funds record sinking fund cash deposits as debt service in the year deposited. In the statement of net position, however, making the deposits to the sinking fund increases assets.</p> | | |
| | | 126,333 |
| <p>Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p> | | |
| Change in accrued interest | 7,124 | |
| Amortization of issuance premium | 105,638 | |
| Debt principal paid | <u>1,475,000</u> | 1,587,762 |
| <p>The internal service fund is used by management to charge the costs of unemployment insurance premiums to individual funds. This activity is consolidated with the governmental funds in the statement of activities.</p> | | |
| | | 4,354 |
| <p>Pension expense or credits that do not meet the measureable and available criteria are not recognized as revenue or expense in the current year in the governmental funds. In the statement of activities, pension expense or</p> | | |
| | | (15,148,501) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.</p> | | |
| Change in net OPEB benefit | (166,045) | |
| Change in net pension benefit - early retirement stipends | (24,484) | |
| Change in compensated absences | <u>(3,419)</u> | (193,948) |
| <p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized as revenue when levied.</p> | | |
| | | <u>104,884</u> |
| Change in net position | | <u>\$ (15,315,824)</u> |

The accompanying notes are an integral part of these financial statements.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2016

| | <u>Internal Service Fund</u> <u>Insurance</u> |
|---------------------------|--|
| ASSETS | |
| Cash and cash equivalents | \$ 99,825 |
| LIABILITIES | |
| Accounts payable | <u>4,195</u> |
| NET POSITION | |
| Unrestricted | <u>\$ 95,630</u> |

The accompanying notes are an integral part of these financial statements.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended June 30, 2016

| | Internal Service Fund Insurance |
|----------------------------------|---------------------------------------|
| Operating revenues | \$ - |
| Operating expenses | |
| Support services | 10,646 |
| Operating income (loss) | (10,646) |
| Nonoperating revenues (expenses) | |
| Transfers in | 15,000 |
| Change in net position | 4,354 |
| Net position - beginning | 91,276 |
| Net position- ending | \$ 95,630 |

The accompanying notes are an integral part of these financial statements.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2016

| | Internal Service Fund Insurance |
|---|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Payments to employees | \$ (11,305) |
| Net cash provided (used) by operating activities | (11,305) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Transfers in | 15,000 |
| Net cash provided (used) by financing activities | 15,000 |
| Net increase (decrease) in cash and cash equivalents | 3,695 |
| Cash and cash equivalents - beginning | 96,130 |
| Cash and cash equivalents - ending | \$ 99,825 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ (10,646) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Increase (decrease) in accounts payable | (659) |
| Net cash provided (used) by operating activities | \$ (11,305) |

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statements of activities) report information on all of the activities of the District.

B. Reporting Entity

Lebanon Community School District No. 9 is a municipal corporation governed by an elected five-member board. The District was organized under provision of Oregon Statutes Chapter 332 for the purpose of operating elementary and secondary schools. As required by accounting principles generally accepted in the United States of America, these basic financial statements present Lebanon Community School District No. 9 (the primary government) and any component units. There are various governmental agencies and special service districts that provide services within the boundaries of the District; 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, except as noted below.

Sand Ridge Charter School is a charter school sponsored by the District and is reported as a discretely presented component unit. Their complete financial statements may be obtained from the District's administrative offices. The District is not financially responsible for the charter school, but the nature and significance of their financial relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The component unit is presented in total in a separate column in the government-wide financial statements to emphasize that it is a legally separate organization from the District. Revenues reported by the component unit as state school fund monies equal the amount passed through the District.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category - governmental, and proprietary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund. The primary sources of revenue are property taxes and state revenues.

Special Revenue Fund

Special Revenue Fund – The Special Revenue Fund accounts for the proceeds of specific revenue sources that are restricted for specific purposes. The primary source of revenue is federal grants. The primary uses of revenue are for salaries and employment benefits, education program enhancement, and equipment purchases.

Debt Service Fund – The Debt Service Fund accounts for the repayment of the District's long-term debt. The primary source of revenue is property taxes. The primary use of revenue is payment of principal and interest due on long-term debt.

In addition, the District reports the following proprietary fund:

Internal Service Fund

Insurance Fund – The Insurance Fund is used to account for funds allocated for unemployment benefits. The primary source of revenue is transfers from the General Fund. The primary use of revenue is for unemployment benefits.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 30 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

Annual budgets are adopted on the modified accrual basis of accounting. The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, and internal service funds. All funds are budgeted on the modified accrual basis of accounting.

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, community services, debt service, capital outlay, operating contingencies, and interfund transfers for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors at a regular board meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

2. Investments

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------------------|--------------|
| Vehicles and Equipment | 5-15 |
| Buildings and building improvements | 20-50 |

4. Deferred Outflows/Inflows of Resources (Non-Pension Related)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

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, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that 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 from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Net Position Flow Assumption

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

6. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts presented as nonspendable fund balance are those in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The school board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The school board has by resolution authorized the Business Director to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

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 remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15. Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 30 days of fiscal year-end are recognized as revenue, while the remaining are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net position. In accordance with the provisions of GASB Statement No. 47, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

4. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS' 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.

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I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Lebanon Community School District No. 9 maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the state's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares. Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by

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portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896. Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District has not adopted an investment policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2016, the District had the following investments:

| | Credit Quality Rating | Maturities | Fair Value |
|---|--------------------------|------------|--------------|
| Oregon Local Government Investment Pool | Unrated | - | \$ 3,809,301 |

Interest Rate Risk

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The District does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the District's investments are in the Oregon LGIP.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

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Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The District holds accounts at Wells Fargo, for which deposits are insured by the FDIC insurance up to \$250,000. At June 30, 2016, the District's had deposits of \$250,000 insured by the FDIC, and \$3,723,944 collateralized under the PFCP.

Deposits

The District's deposits and investments at June 30, 2016 are as follows:

| | |
|--------------------------------|----------------------------|
| Checking accounts | \$ 3,795,343 |
| Total investments | <u>3,809,301</u> |
| Total deposits and investments | <u><u>\$ 7,604,644</u></u> |

Cash and investments by fund:

| | |
|--|----------------------------|
| Governmental activities - unrestricted | |
| General Fund | \$ 5,136,775 |
| Special Revenue Fund | 2,201,087 |
| Internal service fund - Insurance Fund | <u>99,825</u> |
| Total governmental activities - unrestricted | 7,437,687 |
| Governmental activities - restricted | |
| Debt Service Fund | <u>166,957</u> |
| Total cash and investments | <u><u>\$ 7,604,644</u></u> |

Restricted cash is for future payments of principal and interest on long-term debt, as well as the completion of bond projects.

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B. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|----------------|-----------|-------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | 1,411,570 | - | - | 1,411,570 |
| Total capital assets not being depreciated | 1,411,570 | - | - | 1,411,570 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 93,170,358 | 44,150 | - | 93,214,508 |
| Equipment and vehicles | 5,696,924 | 95,816 | - | 5,792,740 |
| Total capital assets being depreciated | 98,867,282 | 139,966 | - | 99,007,248 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | (55,787,033) | (1,517,266) | - | (57,304,299) |
| Equipment and vehicles | (4,771,989) | (225,087) | - | (4,997,076) |
| Total accumulated depreciation | (60,559,022) | (1,742,353) | - | (62,301,375) |
| Total capital assets being depreciated, net | 38,308,260 | (1,602,387) | - | 36,705,873 |
| Governmental activities capital assets, net | \$ 39,719,830 | \$ (1,602,387) | \$ - | \$ 38,117,443 |

Capital assets are reported on the statement of net position as follows:

| | Capital Assets | Accumulated Depreciation | Net Capital Assets |
|-----------------------------------|-------------------|-----------------------------|-----------------------|
| Governmental activities | | | |
| Land | \$ 1,411,570 | \$ - | \$ 1,411,570 |
| Buildings and improvements | 93,214,508 | (57,304,299) | 35,910,209 |
| Equipment and vehicles | 5,792,740 | (4,997,076) | 795,664 |
| Total governmental capital assets | \$ 100,418,818 | \$ (62,301,375) | \$ 38,117,443 |

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NOTES TO BASIC FINANCIAL STATEMENTS

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Depreciation was not charged to specific functions or programs of the District. Capital assets of the District are for the use of the entire District and are therefore unallocated. Depreciation expense is recorded on the statement of activities as follows:

| | |
|----------------------------------|---------------------|
| Unallocated depreciation expense | \$ <u>1,742,353</u> |
|----------------------------------|---------------------|

C. Interfund Transfers

Interfund transfers during the year consisted of:

| | Transfers in: | | | Total |
|----------------------|------------------|----------------------------|-------------------------|---------------------|
| | General Fund | Special Revenue Fund | Debt Service Fund | |
| Transfers out: | | | | |
| General Fund | \$ - | \$ 2,140,225 | \$ - | \$ 2,140,225 |
| Special Revenue Fund | <u>60,000</u> | <u>10,000</u> | <u>100,000</u> | <u>170,000</u> |
| | <u>\$ 60,000</u> | <u>\$ 2,150,225</u> | <u>\$ 100,000</u> | <u>\$ 2,310,225</u> |

Transfers were made to cover current year special and capital projects, and debt service payments.

D. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

| | Interest Rates | Original Amount | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------------------|-------------------|----------------------|----------------------|-------------|---------------------|----------------------|------------------------|
| Governmental activities | | | | | | | |
| General obligation bonds | | | | | | | |
| Series 2005 refunding | 3-4.55% | \$ 19,515,000 | \$ 18,285,000 | \$ - | \$ 515,000 | \$ 17,770,000 | \$ 465,000 |
| Series 2011 refunding | 2-5% | 27,630,000 | 24,705,000 | - | 960,000 | 23,745,000 | 1,155,000 |
| Premium - 2005 refunding | | 2,013,612 | 1,883,942 | - | 56,714 | 1,827,228 | - |
| Premium - 2011 refunding | | <u>1,259,036</u> | <u>1,117,974</u> | <u>-</u> | <u>48,924</u> | <u>1,069,050</u> | <u>-</u> |
| Total general obligation bonds | | 50,417,648 | 45,991,916 | - | 1,580,638 | 44,411,278 | 1,620,000 |
| Qualified school construction bonds | 5.13% | <u>1,895,000</u> | <u>1,895,000</u> | <u>-</u> | <u>-</u> | <u>1,895,000</u> | <u>-</u> |
| Total governmental activities | | <u>\$ 52,312,648</u> | <u>\$ 47,886,916</u> | <u>\$ -</u> | <u>\$ 1,580,638</u> | <u>\$ 46,306,278</u> | <u>\$ 1,620,000</u> |

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2. General Obligation Bonds

General obligation bonds are direct obligations that pledge the full faith and credit of the District and are payable from ad valorem debt service levy proceeds. The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The District's outstanding general obligation bonds represent funding primarily for building improvement projects. Interest is due semiannually in June and December. Interest rates increase at fixed rates over the life of the bonds in accordance with the original bond agreements. The Debt Service Fund has traditionally been used to liquidate long-term debt.

3. General Obligation Refunding Bonds Series 2005

On April 7, 2005, the District issued general obligation bonds of \$19,515,000 (par value) with interest rates of 3% to 4.55% to advance refund the portion of the Series 2001 (dated May 17, 2001) general obligation bonds maturing June 15, 2015 through June 15, 2030 with interest rates of 5.25% to 5.6% and a par value of \$19,470,000. Interest rates increase in accordance with the original bond agreements.. The Series 2005 bonds were issued at a premium of \$2,013,613 and, after paying issuance costs of \$243,341, the net proceeds were \$21,396,886. The net proceeds from the issuance of the Series 2005 bonds were used to purchase state and local government securities, which were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the Series 2001 bonds were called on June 15, 2013. The advance refunding met the requirements of an in-substance debt defeasance and the refunded portion of the 2001 bonds was removed from the District's government-wide financial statements. The defeased bonds have been paid in full.

4. General Obligation Refunding Bonds Series 2011

In March 2011, the District issued general obligation bonds of \$27,630,000 (par value) with interest rates of 2% to 5% to advance refund Series 2001 (dated September 1, 2011) general obligation bonds with interest rates of 3.5% to 5.25% and a par value of \$28,665,000. Interest rates increase in accordance with the original bond agreements. The Series 2001 bonds were called on June 15, 2011. The Series 2011 bonds were issued at a premium of \$1,259,036 and, after paying issuance costs of \$224,036, the net proceeds were \$28,728,353. As a result of the refunding, the District reduced its total debt service requirements by \$3,197,455, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$2,135,509.

5. Qualified School Construction Bonds

The District entered into a financing agreement dated July 26, 2011 under the Qualified School Construction Bonds (QSCB) Program. The District received financing of \$1,895,000 for upgrades and improvements to school facilities. The agreement requires annual cash deposits to a sinking

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fund in the amount of \$126,333 to fund the only payment of \$1,895,000 in 2026.

6. Future Maturities of Long-Term Liabilities

| Year Ending June 30 | Bonds | | |
|------------------------|----------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2017 | \$ 1,620,000 | \$ 2,095,696 | \$ 3,715,696 |
| 2018 | 1,770,000 | 2,037,795 | 3,807,795 |
| 2019 | 1,920,000 | 1,973,983 | 3,893,983 |
| 2020 | 2,090,000 | 1,900,201 | 3,990,201 |
| 2021 | 2,295,000 | 1,795,702 | 4,090,702 |
| 2022-2026 | 16,770,000 | 7,075,213 | 23,845,213 |
| 2027-2030 | 16,945,000 | 2,285,782 | 19,230,782 |
| Total | \$ 43,410,000 | \$ 19,164,372 | \$ 62,574,372 |

7. General Obligation Debt Capacity

ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Kindergarten through twelfth grade school districts may issue an aggregate principal amount up to 7.95% of the Real Market Value of all taxable properties within the district.

Information on the District's general obligation debt capacity is presented below.

| | | |
|---|----|------------------------------------|
| Real Market Value (Fiscal Year 2016) ⁽¹⁾ | \$ | 2,721,568,715 |
| Debt Capacity | | |
| General Obligation Debt Capacity (7.95% of Real Market Value) | \$ | 204,029,187 |
| Less: Outstanding Debt Subject to Limit | | <u>(43,410,000) ⁽²⁾</u> |
| Remaining General Obligation Debt Capacity | \$ | 160,619,187 |
| Percent of Capacity Issued | | 21.28% |

⁽¹⁾ The District's fiscal year commences July 1 and ends on June 30 of the following year (the "Fiscal Year"). Source: Linn County Department of Assessment and Taxation.

⁽²⁾ Represents voter-approved, unlimited-tax general obligations of the District.

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E. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

| | General Fund | Special Revenue Fund | Debt Service Fund | Total Governmental Funds |
|-------------------------------|-----------------|----------------------------|-------------------------|--------------------------------|
| Fund balances: | | | | |
| Nonspendable - inventory | \$ - | \$ 16,526 | \$ - | \$ 16,526 |
| Restricted for: | | | | |
| Debt service | - | - | 185,032 | 185,032 |
| Energy efficient improvements | - | 88,329 | - | 88,329 |
| Student activities | - | 483,121 | - | 483,121 |
| School nutrition programs | - | 323,517 | - | 323,517 |
| Grant programs | - | 2,007 | - | 2,007 |
| Assigned to: | | | | |
| Bus replacement | - | 554,882 | - | 554,882 |
| Textbooks | - | 973 | - | 973 |
| Track and turf replacement | - | 77,754 | - | 77,754 |
| Athletics | - | 91,820 | - | 91,820 |
| PERS reserve | - | 650,000 | - | 650,000 |
| Academic achievement support | - | 18,650 | - | 18,650 |
| Technology purchases | - | 270,949 | - | 270,949 |
| Classroom furniture | - | 9,208 | - | 9,208 |
| Capital additions | - | 93,050 | - | 93,050 |
| Unassigned | 3,024,733 | - | - | 3,024,733 |
| Total fund balances | \$ 3,024,733 | \$ 2,680,786 | \$ 185,032 | \$ 5,890,551 |

III. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. In addition, the District maintains an Insurance Fund for the payment of future unemployment claims. No liability for unpaid unemployment claims has been recorded, as management is unable to reasonably estimate the amount or timing of future claims.

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

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Name of Pension Plan

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

Description of Benefit Terms

Plan Benefits – PERS Pension (Chapter 238)

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A

PERS Pension

The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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, 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 benefit results.

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 conditions are met:

- Member was employed by a 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

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 a either a non-

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duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

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 of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

OPSRP Pension Program (OPSRP DB)

Pension Benefits

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: police and fire - 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

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

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.

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.

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Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond 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. This 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 subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2016 were \$4,637,109.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.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 (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) 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 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution 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 liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

| | |
|----------------|-------------------|
| Valuation Date | December 31, 2013 |
|----------------|-------------------|

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| | |
|---------------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Amortized as a level percentage of payroll: Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed |
| Equivalent Single Amortization Period | 20 years |
| Asset Valuation Method | Market Value of Assets |
| <i>Actuarial Assumptions:</i> | |
| Inflation Rate | 2.75 percent |
| Investment Rate of Return | 7.75 percent |
| Projected Salary Increases | 3.75 percent |
| Mortality | <p>Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.</p> |

Actuarial valuations of an ongoing plan involve estimates of the 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.

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 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

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$19,039,703 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, 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 June 30, 2015 the District's proportion was 0.33161771%.

For the year ended June 30, 2016, the District recognized pension expense of \$18,684,962. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 1,026,717 | \$ - |
| Net difference between project and actual earnings on investments | - | 3,991,153 |
| Changes in proportionate share | - | 544,846 |
| Differences between employer contributions and employer's proportionate share of system contributions | 456,883 | 262,122 |
| Total (prior to post-MD contributions) | 1,483,600 | 4,798,121 |
| Contributions subsequent to the MD | 3,478,156 | - |
| Total | \$ 4,961,756 | \$ 4,798,121 |
| Net Deferred Outflow/(Inflow) of Resources | | \$ 163,635 |

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported by the District as deferred outflows or inflows of resources related to pension will be recognized in subsequent years as follows:

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June 30, 2016

| Year ended June 30: | Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions) |
|---------------------|--|
| 2017 | \$ (1,727,460) |
| 2018 | \$ (1,727,460) |
| 2019 | \$ (1,727,460) |
| 2020 | \$ 1,847,882 |
| 2021 | 19,978 |

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 higher discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

District's proportionate share of the net pension (liability) asset:

| 1% Decrease (6.75%) | Discount Rate (7.75%) | 1% Increase (8.75%) |
|------------------------|--------------------------|------------------------|
| \$ 45,951,614 | \$ 19,039,703 | \$ (3,639,968) |

Plan Changes Reflected

The Oregon Supreme Court decision in *Moro v. State of Oregon* (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The *Moro* decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation.

For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the PERS system. Due to the timing of the Supreme Court decision, this means the COLA change due to *Moro* is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. The increase in the Total Pension Liability resulting from the *Moro* decision was measured at June 30, 2015. To reflect the *Moro* decision, the blended COLA based on creditable service before and after the effective dates of the legislation was estimated.

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This approach is consistent with OAR 459-005-0510, adopted by the PERS Board in September 2015.

Changes Subsequent to the Measurement Date

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

We are not aware of any changes subsequent to the June 30, 2015 Measurement Date that meet this requirement.

2. Tax Deferred Annuities

The District provides tax deferred annuity contracts established under Section 403(b) of the Internal Revenue Code. Participation in the program is voluntary. Contributions are made from salary deductions from participating employees within the limits specified in the Code.

3. Early Retirement

Plan Description

In April 2003, an early retirement plan with two arrangements was established for certified employees who were age 55 and had 10 years of District service or 10 years of District service and 30 years of service in Oregon PERS.

To qualify for the first arrangement, an employee had to be eligible to retire on or before June 30, 2003. Beginning with the month of retirement, the District shall pay to the retired employee a monthly stipend equal to 1% of the annual salary on his/her last permanent teacher contract if the employee is under age 55 at retirement, 1.5% if the employee is age 55 to 58 at retirement, or 2% if the employee is aged 58 to 62 at retirement. The stipend is paid to age 62 or the date on which the retired employee qualifies for federal social security benefits. Employees who have accumulated 30 years of PERS membership or choose to retire prior to age 55 will have their 1% stipend increased to 1.5% at age 55 where it will remain at age 62.

The second arrangement requires that the employee be hired on or before December 31, 1982 or eligible to retire on or before June 30, 2005. Beginning with the month of retirement, the District pays a monthly stipend to the retiree equal to 0.5% of their 2002-2003 second half salary placement amount if the employee is age 55 to 58 at retirement or 1.25% if the employee is age

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58 to 62 at retirement. Such stipend shall be paid to age 62 or when eligible for social security benefits, whichever is earlier.

Administrator or confidential employees need to be hired prior to July 2000, be age 55 with 10 years of District service or 10 years of District service with 30 years under PERS. The stipend benefits for this group are the same as the first arrangement, above, for certified employees.

Upon death of the retiree, the stipend will be paid to the retiree's estate for an additional six months.

A one-time payment of \$500 will be paid to those certified, administrator, confidential, or classified employees who have served the District 20 years, are retiring at age 62 or older, and meet the requirements of the hire date as outlined in the group's supplemental retirement benefits agreements. This benefit is paid to the beneficiaries of those employees currently employed, regardless of length of service.

Contributions and Funding Policy

The benefits from this program are fully paid and, consequently, no contributions by employees are required. There is no obligation to fund these benefits in advance. The only obligation is to make current benefit payments due each fiscal year. Payments are made on a pay-as-you-go basis each year out of the General Fund and Food Service Fund. An estimate of this liability for current retirees is done annually. There is no separately issued financial report for the plan. The annual expenditures recognized on a budgetary basis for the years ended June 30, 2014, 2015 and 2016 were \$230,276, \$81,938, and \$55,036 respectively.

Funded Status

The District accounts for the early retirement benefits in accordance with GASB Statement No. 27, *Accounting and Financial Reporting by Employers for Pensions*. As of June 30, 2015, the actuarial accrued liability (AAL) for benefits was \$395,145, and the actuarial value of assets was \$0, resulting in an unfunded accrued liability (UAAL) of \$395,145, and a funded ratio of 0%.

Annual Cost and Net Benefit

The District's annual post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 27. 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 over a period not to exceed 3 years. The following table shows the components of the District's annual stipend costs for the year, the amount actually contributed to the plan, and changes in the District's early retirement obligation.

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June 30, 2016

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|---------------------|
| Employer's normal cost | \$ - | \$ - | \$ - |
| Interest on net pension obligation | - | - | (7,382) |
| One year's amortization of AAL with interest | <u>79,520</u> | <u>206,970</u> | <u>206,970</u> |
| Annual Required Contribution (ARC) | 79,520 | 206,970 | 199,588 |
| Less contributions (amounts paid by the District during year for stipends) | <u>(55,036)</u> | <u>(81,938)</u> | <u>(230,276)</u> |
| Contribution deficiency (ARC less current year payments) | 24,484 | 125,032 | (30,688) |
| Net pension obligation (benefit) at beginning of year | <u>(151,726)</u> | <u>(276,758)</u> | <u>(246,070)</u> |
| Pension obligation (benefit) at end of year | <u>\$ (127,242)</u> | <u>\$ (151,726)</u> | <u>\$ (276,758)</u> |

Methods and Assumptions

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer (ARC) are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The unfunded accrued liability is being amortized over an open three-year amortization period.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

C. Other Post-Employment Benefits

1. Post-Retirement Health Benefits

Plan Description

The District's post-retirement health benefits plan entry qualifications are described in Note III-B.3. There is also a third arrangement for licensed staff that were age 55 by June 30, 2007 with 20 years of continuous District Service. Arrangement one, including confidential and administrator staff pays full medical, dental, vision and life insurance up to the District cap until age 65. Arrangements two and three pay a monthly \$500 contribution towards the District insurance program until age 65.

Funded Status

The District accounts for the early retirement benefits in accordance with GASB Statement No. 43. As of June 30, 2016, the actuarial accrued liability (AAL) for benefits was \$699,328, and the actuarial value of assets was \$0, resulting in an unfunded accrued liability (UAAL) of \$699,328 and a funded ratio of 0%.

Annual OPEB Cost and Net OPEB Benefit

The District's annual post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 over a period not to exceed 5 years. The following table shows the components of the District's annual stipend costs for the year, the amount actually contributed to the plan, and changes in the District's early retirement obligation.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

| | 2016 | 2015 | 2014 |
|--|-------------|--------------|--------------|
| Annual Required Contribution (ARC) | \$ 401,256 | \$ 409,530 | \$ 409,530 |
| Interest on net OPEB obligation | (2,809) | (12,286) | (10,201) |
| Adjustment to ARC for net OPEB obligation | - | - | - |
| Annual OPEB cost | 398,447 | 397,244 | 399,329 |
| Less contributions (amounts paid by the District during year for OPEB) | (232,402) | (285,344) | (389,437) |
| Increase (decrease) in net OPEB obligation | 166,045 | 111,900 | 9,892 |
| OPEB obligation at beginning of year | (218,255) | (330,155) | (340,047) |
| OPEB obligation at end of year | \$ (52,210) | \$ (218,255) | \$ (330,155) |

Methods and Assumptions

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer (ARC) are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55, or at the first subsequent year in which the member would qualify for benefits.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Probability of remaining employed from current age until assumed retirement age – Probabilities were adapted from data maintained by the U.S. Office of Personnel Management regarding the experience of the employee group covered by the Federal Employee Retirement System.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on historical trends experienced by the District. A rate of 3% was used.

Health insurance premiums – 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3% was based on projected changes in the Consumer Price Index.

In addition, the current age actuarial cost method was used and the actuarial value of plan assets is measured at fair value. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2015 was five years.

Annual Cost

During the years ended June 30, 2014, 2015, and 2016, the General Fund recognized (assets) liabilities of \$9,892, \$111,900, and \$166,045, respectively, for post-retirement health benefits. For the years ended June 30, 2014, 2015, and 2016, 97.52%, 71.83%, and 58.33%, respectively, of the annual OPEB costs were contributed by the District.

D. Subsequent Events

Management has evaluated subsequent events through December 28, 2016, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

RETIREE STIPENDS

Schedule of Funding Progress

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (b)-(a) AAL (UAAL) | (a/b) Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|--|--|--------------------------|--------------------------|--------------------|---|
| 2009 | \$ - | \$ 801,166 | \$ 801,166 | 0.00% | \$ 956,846 | 83.73% |
| 2012 | \$ - | \$ 602,115 | \$ 602,115 | 0.00% | \$ 630,660 | 95.47% |
| 2015 | \$ - | \$ 395,145 | \$ 395,145 | 0.00% | N/A | |

Schedule of Employer Contributions

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed | Net OPEB Obligation (Asset) |
|---------------------------|------------------------------------|---------------------------|-----------------------------------|
| 2009 | \$ 277,423 | 170.19% | \$ (194,714) |
| 2010 | 270,609 | 105.47% | (14,789) |
| 2011 | 270,090 | 67.67% | 87,318 |
| 2012 | 203,304 | 136.81% | (74,843) |
| 2013 | 201,059 | 124.39% | (49,042) |
| 2014 | 199,588 | 120.33% | (30,688) |
| 2015 | 206,970 | 39.59% | 125,032 |
| 2016 | 79,520 | 71.00% | 24,484 |
| | | | <u>\$ (127,242)</u> |

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

OTHER POST-EMPLOYMENT HEALTH BENEFITS

Schedule of Funding Progress

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (b)-(a) AAL (UAAL) | (a/b) Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|--|--|--------------------------|--------------------------|--------------------|---|
| 2009 | \$ - | \$ 3,621,627 | \$ 3,621,627 | 0.00% | \$ 1,214,345 | 298.24% |
| 2012 | \$ - | \$ 1,915,432 | \$ 1,915,432 | 0.00% | \$ 870,130 | 220.13% |
| 2015 | \$ - | \$ 966,329 | \$ 966,329 | 0.00% | N/A | |

Schedule of Employer Contributions

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed | Net OPEB Obligation (Asset) |
|---------------------------|------------------------------------|---------------------------|-----------------------------------|
| 2009 | \$ 784,569 | 114.30% | \$ (112,159) |
| 2010 | 780,643 | 96.52% | 27,194 |
| 2011 | 781,595 | 92.08% | 61,939 |
| 2012 | 408,839 | 157.67% | (235,793) |
| 2013 | 401,765 | 120.22% | (81,228) |
| 2014 | 399,329 | 97.52% | 9,892 |
| 2015 | 397,244 | 71.83% | 111,900 |
| 2016 | 398,447 | 58.33% | 166,045 |
| | | | <u>\$ (52,210)</u> |

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND DISTRICT CONTRIBUTIONS

OREGON PERS SYSTEM

Schedule of the District's Proportionate Share of the Net Pension Liability

| | 2016 | 2015 |
|---|---------------|----------------|
| District's proportion of the net pension liability (asset) | 0.00677444% | 0.36335169% |
| District's proportionate share of the net pension liability (asset) | \$ 19,039,703 | \$ (8,236,146) |
| District's covered-employee payroll | \$ 16,214,823 | \$ 17,185,736 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 117% | -48% |
| Plan fiduciary net position as a percentage of the total pension liability | 92% | 104% |

Schedule of District Contributions

| | 2016 | 2015 |
|--|---------------|---------------|
| Contractually required contribution | \$ 4,637,109 | \$ 3,344,918 |
| Contributions in relation to the contractually required contribution | (4,637,109) | (3,344,918) |
| Contribution deficiency (excess) | \$ - | \$ - |
| District's covered-employee payroll | \$ 17,568,345 | \$ 17,185,736 |
| Contributions as a percentage of covered-employee payroll | 26% | 19% |

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2016

| | <u>Original and Final Budget</u> | <u>Variance with Final Budget Over (Under)</u> | <u>Actual GAAP Basis</u> |
|---|--|--|----------------------------------|
| REVENUES | | | |
| Local revenue | \$ 8,627,400 | \$ 293,333 | \$ 8,920,733 |
| Intermediate revenue | 175,000 | (25,486) | 149,514 |
| State revenue | 27,805,000 | (761,704) | 27,043,296 |
| Federal revenue | <u>62,000</u> | <u>255,720</u> | <u>317,720</u> |
| Total revenues | <u>36,669,400</u> | <u>(238,137)</u> | <u>36,431,263</u> |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | 22,082,473 | (449,587) | 21,632,886 |
| Support services | 14,786,427 | (1,175,621) | 13,610,806 |
| Debt service | 500 | (500) | - |
| Contingency | <u>1,000,000</u> | <u>(1,000,000)</u> | <u>-</u> |
| Total expenditures | <u>37,869,400</u> | <u>(2,625,708)</u> | <u>35,243,692</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,200,000)</u> | <u>2,387,571</u> | <u>1,187,571</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 60,000 | - | 60,000 |
| Transfers out | <u>(2,360,000)</u> | <u>(204,775)</u> | <u>(2,155,225)</u> |
| Total other financing sources (uses) | <u>(2,300,000)</u> | <u>204,775</u> | <u>(2,095,225)</u> |
| Net change in fund balance | (3,500,000) | 2,592,346 | (907,654) |
| Fund balance - beginning | <u>3,500,000</u> | <u>432,387</u> | <u>3,932,387</u> |
| Fund balance - ending | <u>\$ -</u> | <u>\$ 3,024,733</u> | <u>\$ 3,024,733</u> |

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SPECIAL REVENUE FUND

For the Year Ended June 30, 2016

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual GAAP Basis |
|---|---------------------------------|---|-------------------------|
| REVENUES | | | |
| Local revenue | \$ 1,209,500 | \$ (35,907) | \$ 1,173,593 |
| Intermediate revenue | 250,000 | (233,069) | 16,931 |
| State revenue | 120,000 | (46,860) | 73,140 |
| Federal revenue | 6,031,350 | (2,454,153) | 3,577,197 |
| Total revenues | 7,610,850 | (2,769,989) | 4,840,861 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | 5,549,625 | (2,519,030) | 3,030,595 |
| Support services | 2,971,370 | (1,770,784) | 1,200,586 |
| Community services | 2,168,450 | (456,442) | 1,712,008 |
| Contingency | 98,000 | (98,000) | - |
| Total expenditures | 10,787,445 | (4,844,256) | 5,943,189 |
| Excess (deficiency) of revenues over (under) expenditures | (3,176,595) | 2,074,267 | (1,102,328) |
| OTHER FINANCING SOURCES (USES) | | | |
| Long-term debt proceeds | 3,000 | (3,000) | - |
| Transfers in | 2,320,000 | (169,775) | 2,150,225 |
| Transfers out | (170,000) | - | (170,000) |
| Total other financing sources (uses) | 2,153,000 | (172,775) | 1,980,225 |
| Net change in fund balance | (1,023,595) | 1,901,492 | 877,897 |
| Fund balance - beginning | 1,757,295 | 45,594 | 1,802,889 |
| Fund balance - ending | \$ 733,700 | \$ 1,947,086 | \$ 2,680,786 |

OTHER SUPPLEMENTARY INFORMATION
INDIVIDUAL FUND SCHEDULES

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended June 30, 2016

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual GAAP Basis |
|---|---------------------------------|---|-------------------------|
| REVENUES | | | |
| Local revenue | \$ 3,338,482 | \$ 58,379 | \$ 3,396,861 |
| EXPENDITURES | | | |
| Debt service | <u>3,878,197</u> | <u>(126,169)</u> | <u>3,752,028</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(539,715)</u> | <u>184,548</u> | <u>(355,167)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Debt subsidy rebate | 97,215 | (6,612) | 90,603 |
| Transfers in | <u>100,000</u> | <u>-</u> | <u>100,000</u> |
| Total other financing sources (uses) | <u>197,215</u> | <u>(6,612)</u> | <u>190,603</u> |
| Net change in fund balance | (342,500) | 177,936 | (164,564) |
| Fund balance - beginning | <u>342,500</u> | <u>7,096</u> | <u>349,596</u> |
| Fund balance - ending | <u>\$ -</u> | <u>\$ 185,032</u> | <u>\$ 185,032</u> |

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

INSURANCE FUND

For the Year Ended June 30, 2016

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual GAAP Basis |
|---|---------------------------------|---|-------------------------|
| REVENUES | \$ - | \$ - | \$ - |
| EXPENSES | | | |
| Current | | | |
| Support services | 100,000 | (89,354) | 10,646 |
| Excess (deficiency) of revenues over (under) expenses | (100,000) | 89,354 | (10,646) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 15,000 | - | 15,000 |
| Change in net position | (85,000) | 89,354 | 4,354 |
| Net position - beginning | 85,000 | 6,276 | 91,276 |
| Net position - ending | \$ - | \$ 95,630 | \$ 95,630 |

OTHER FINANCIAL SCHEDULES

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9

Lebanon, Oregon

REVENUE SUMMARY - ALL FUNDS

June 30, 2016

| Revenue from Local Sources | Fund 100 | Fund 200 | Fund 300 | Fund 600 |
|---|-------------------------|------------------------|------------------------|----------------------|
| 1110 Ad Valorem Taxes Levied by District | \$ 8,455,308.43 | \$ - | \$ 3,396,860.68 | \$ - |
| 1190 Penalties and Interest on Taxes | 77,851.26 | - | - | - |
| 1312 Regular Day School Tuition - Other Dist Within State | 22,216.27 | - | - | - |
| 1500 Earnings on Investments | 91,244.78 | 1,913.23 | - | - |
| 1600 Food Service | - | 135,857.00 | - | - |
| 1700 Extracurricular Activities | - | 751,108.96 | - | - |
| 1910 Rentals | 10,474.00 | - | - | - |
| 1920 Contributions and Donations From Private Sources | - | 42,619.77 | - | - |
| 1960 Recovery of Prior Years' Expenditure | 26.21 | - | - | - |
| 1990 Miscellaneous | 263,612.03 | 242,094.35 | - | - |
| Total Revenue from Local Sources | \$ 8,920,732.98 | \$ 1,173,593.31 | \$ 3,396,860.68 | \$ - |
| Revenue from Intermediate Sources | Fund 100 | Fund 200 | Fund 300 | Fund 600 |
| 2200 Restricted Revenue | \$ 149,514.00 | \$ 16,930.49 | \$ - | \$ - |
| Total Revenue from Intermediate Sources | \$ 149,514.00 | \$ 16,930.49 | \$ - | \$ - |
| Revenue from State Sources | Fund 100 | Fund 200 | Fund 300 | Fund 600 |
| 3101 State School Fund - General Support | \$ 26,293,507.38 | \$ - | \$ - | \$ - |
| 3103 Common School Fund | 492,012.62 | - | - | - |
| 3104 State Managed County Timber | 181,381.65 | - | - | - |
| 3199 Other Unrestricted Grants-in-Aid | 76,393.97 | - | - | - |
| 3299 Other Restricted Grants-in-Aid | - | 73,139.09 | - | - |
| Total Revenue from State Sources | \$ 27,043,295.62 | \$ 73,139.09 | \$ - | \$ - |
| Revenue from Federal Sources | Fund 100 | Fund 200 | Fund 300 | Fund 600 |
| 4200 Unrestricted Revenue From the Federal Government through the State | \$ 45,177.89 | \$ - | \$ - | \$ - |
| 4300 Restricted Revenue From the Federal Government | 66,033.85 | - | - | - |
| 4500 Restricted Revenue From the Federal Government Through the State | 799.86 | 3,369,750.18 | - | - |
| 4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies | - | 91,136.77 | - | - |
| 4801 Federal Forest Fees | 205,708.33 | - | - | - |
| 4900 Revenue for/on Behalf of the District | - | 116,311.18 | - | - |
| Total Revenue from Federal Sources | \$ 317,719.93 | \$ 3,577,198.13 | \$ - | \$ - |
| Revenue from Other Sources | Fund 100 | Fund 200 | Fund 300 | Fund 600 |
| 5100 Long Term Debt Financing Sources | \$ - | \$ - | \$ 90,602.98 | \$ - |
| 5200 Interfund Transfers | 60,000.00 | 2,150,225.15 | 100,000.00 | 15,000.00 |
| 5400 Resources - Beginning Fund Balance | 3,932,387.06 | 1,802,883.67 | 349,596.32 | 91,275.90 |
| Total Revenue from Other Sources | \$ 3,992,387.06 | \$ 3,953,108.82 | \$ 540,199.30 | \$ 106,275.90 |
| Grand Totals | \$ 40,423,649.59 | \$ 8,793,969.84 | \$ 3,937,059.98 | \$ 106,275.90 |

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9

Lebanon, Oregon

EXPENDITURE SUMMARY - GENERAL FUND

June 30, 2016

Instruction Expenditures

| | Totals | Object 100 | Object 200 |
|---|-------------------------|-------------------------|------------------------|
| 1111 Elementary, K-5 or K-6 | \$ 6,489,868.68 | \$ 4,067,856.24 | \$ 2,289,890.74 |
| 1113 Elementary Extracurricular | 10,518.97 | 6,000.00 | 1,998.09 |
| 1121 Middle/Junior High Programs | 2,887,431.23 | 1,810,214.49 | 1,021,534.85 |
| 1122 Middle/Junior High School Extracurricular | 24,824.66 | 16,555.64 | 5,096.41 |
| 1131 High School Programs | 4,405,388.30 | 2,724,670.04 | 1,408,734.56 |
| 1132 High School Extracurricular | 81,175.40 | 60,844.23 | 20,331.17 |
| 1210 Programs for the Talented and Gifted | 18,622.39 | 3,500.00 | 1,171.70 |
| 1220 Restrictive Programs for Students with Disabilities | 1,607,420.80 | 878,767.31 | 701,939.33 |
| 1250 Less Restrictive Programs for Students with Disabilities | 2,386,740.68 | 1,410,551.00 | 959,426.64 |
| 1280 Alternative Education | 3,295,928.18 | 382,322.45 | 198,184.63 |
| 1291 English Second Language Programs | 303,575.21 | 173,778.92 | 128,876.62 |
| 1292 Teen Parent Program | 79,517.87 | 38,017.41 | 19,500.46 |
| 1400 Summer School Programs | 41,872.70 | 31,093.95 | 10,751.79 |
| Total Instruction Expenditures | \$ 21,632,885.07 | \$ 11,604,171.68 | \$ 6,767,436.99 |

Support Services Expenditures

| | Totals | Object 100 | Object 200 |
|--|-------------------------|------------------------|------------------------|
| 2110 Attendance and Social Work Services | \$ 132,711.37 | \$ 26,020.73 | \$ 24,669.51 |
| 2120 Guidance Services | 701,596.03 | 467,564.19 | 231,261.90 |
| 2130 Health Services | 142,401.87 | 91,306.44 | 48,465.02 |
| 2140 Psychological Services | 32,429.00 | - | - |
| 2150 Speech Pathology and Audiology Services | 418,492.88 | 209,112.31 | 104,095.93 |
| 2160 Other Student Treatment Services | 46,918.00 | - | - |
| 2190 Service Direction, Student Support Services | 159,641.83 | 83,586.79 | 61,926.01 |
| 2210 Improvement of Instruction Services | 353,436.11 | 234,639.75 | 96,898.83 |
| 2220 Educational Media Services | 366,666.16 | 175,836.10 | 161,133.46 |
| 2230 Assessment & Testing | 104,726.98 | 28,782.00 | 21,569.48 |
| 2240 Instructional Staff Development | 215,979.36 | 69,311.05 | 24,028.14 |
| 2310 Board of Education Services | 52,388.21 | - | - |
| 2320 Executive Administration Services | 293,357.31 | 175,882.50 | 80,154.13 |
| 2410 Office of the Principal Services | 3,592,111.18 | 2,225,114.41 | 1,265,047.39 |
| 2520 Fiscal Services | 510,844.60 | 287,622.22 | 159,739.78 |
| 2540 Operation and Maintenance of Plant Services | 3,392,923.44 | 849,686.83 | 546,768.81 |
| 2550 Student Transportation Services | 1,485,040.74 | 744,566.95 | 533,865.04 |
| 2570 Internal Services | 16,282.21 | 10,871.41 | 4,029.34 |
| 2630 Information Services | 143,125.15 | 90,358.87 | 51,857.23 |
| 2640 Staff Services | 405,489.29 | 228,846.73 | 120,616.15 |
| 2660 Technology Services | 760,435.12 | 229,927.88 | 108,904.88 |
| 2700 Supplemental Retirement Programs | 283,809.53 | 51,133.74 | 232,675.79 |
| Total Support Services Expenditures | \$ 13,610,806.37 | \$ 6,280,170.90 | \$ 3,877,706.82 |

Other Uses Expenditures

| | Totals | Object 100 | Object 200 |
|--------------------------------------|-------------------------|-------------------------|-------------------------|
| 5200 Transfers of Funds | \$ 2,155,225.15 | \$ - | \$ - |
| Total Other Uses Expenditures | \$ 2,155,225.15 | \$ - | \$ - |
| Grand Total | \$ 37,398,916.59 | \$ 17,884,342.58 | \$ 10,645,143.81 |

| Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|------------------------|----------------------|-------------|--------------------|-------------|
| \$ 58,843.07 | \$ 73,278.63 | \$ - | \$ - | \$ - |
| - | 2,520.88 | - | - | - |
| 21,975.15 | 33,706.74 | - | - | - |
| 3,172.61 | - | - | - | - |
| 81,677.00 | 188,091.70 | - | 2,215.00 | - |
| - | - | - | - | - |
| 8,919.88 | 5,030.81 | - | - | - |
| 18,706.73 | 8,007.43 | - | - | - |
| 1,138.85 | 15,624.19 | - | - | - |
| 2,621,937.50 | 90,619.60 | - | 2,864.00 | - |
| 919.67 | - | - | - | - |
| 22,000.00 | - | - | - | - |
| - | 26.96 | - | - | - |
| \$ 2,839,290.46 | \$ 416,906.94 | \$ - | \$ 5,079.00 | \$ - |

| Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|------------------------|----------------------|---------------------|----------------------|-------------|
| \$ 81,141.28 | \$ 523.60 | \$ - | \$ 356.25 | \$ - |
| 1,589.40 | 1,180.54 | - | - | - |
| 1,726.17 | 625.24 | - | 279.00 | - |
| 32,429.00 | - | - | - | - |
| 104,440.47 | 844.17 | - | - | - |
| 46,918.00 | - | - | - | - |
| 13,362.73 | 667.30 | - | 99.00 | - |
| 4,989.88 | 15,617.65 | - | 1,290.00 | - |
| 160.74 | 26,864.86 | - | 2,671.00 | - |
| 12,648.00 | 36,631.00 | - | 5,096.50 | - |
| 119,135.71 | 3,504.46 | - | - | - |
| 50,774.65 | 625.85 | - | 987.71 | - |
| 16,511.77 | 13,716.16 | - | 7,092.75 | - |
| 34,466.42 | 56,626.46 | - | 10,856.50 | - |
| 34,605.86 | 8,808.88 | - | 20,067.86 | - |
| 1,491,201.52 | 284,030.97 | 20,047.21 | 201,188.10 | - |
| 23,189.36 | 156,436.89 | - | 26,982.50 | - |
| - | 1,381.46 | - | - | - |
| 451.26 | 457.79 | - | - | - |
| 26,828.66 | 25,517.50 | - | 3,680.25 | - |
| 91,249.33 | 329,785.53 | - | 567.50 | - |
| - | - | - | - | - |
| \$ 2,187,820.21 | \$ 963,846.31 | \$ 20,047.21 | \$ 281,214.92 | \$ - |

| Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|------------------------|------------------------|---------------------|----------------------|------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 2,155,225.15 |
| \$ - | \$ - | \$ - | \$ - | \$ 2,155,225.15 |
| \$ 5,027,110.67 | \$ 1,380,753.25 | \$ 20,047.21 | \$ 286,293.92 | \$ 2,155,225.15 |

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

EXPENDITURE SUMMARY - SPECIAL REVENUE FUND

June 30, 2016

Instruction Expenditures

| | Totals | Object 100 | Object 200 |
|---|------------------------|----------------------|----------------------|
| 1111 Elementary, K-5 or K-6 | \$ 257,487.94 | \$ - | \$ - |
| 1113 Elementary Extracurricular | 135,864.94 | - | - |
| 1121 Middle/Junior High Programs | 200,541.35 | - | - |
| 1122 Middle/Junior High School Extracurricular | 39,369.64 | 5,000.00 | 940.44 |
| 1131 High School Programs | 305,373.07 | - | - |
| 1132 High School Extracurricular | 846,737.78 | 213,161.31 | 59,879.48 |
| 1250 Less Restrictive Programs for Students with Disabilities | 249,548.04 | 136,140.22 | 108,210.92 |
| 1272 Title I | 961,089.83 | 558,080.84 | 343,106.18 |
| 1280 Alternative Education | 372.14 | - | - |
| 1300 Adult/Continuing Education Programs | 19,682.74 | 10,004.27 | 9,619.31 |
| 1400 Summer School Program | 14,527.53 | 7,866.00 | 2,549.40 |
| Total Instruction Expenditures | \$ 3,030,595.00 | \$ 930,252.64 | \$ 524,305.73 |

Support Services Expenditures

| | Totals | Object 100 | Object 200 |
|---|------------------------|----------------------|----------------------|
| 2110 Attendance and Social Work Services | \$ 21,013.55 | \$ 4,861.82 | \$ 4,526.18 |
| 2120 Guidance Services | 151,524.71 | 108,729.91 | 41,927.31 |
| 2150 Speech Pathology and Audiology Services | 12,958.71 | - | - |
| 2160 Other Student Treatment Services | 34,107.00 | - | - |
| 2190 Service Direction, Student Support Services | 403,253.93 | 264,610.90 | 138,048.03 |
| 2210 Improvement of Instruction Services | 129,893.64 | 58,424.75 | 15,373.04 |
| 2220 Educational Media Services | 387.90 | - | - |
| 2240 Instructional Staff Development | 218,616.49 | 51,797.68 | 21,898.04 |
| 2490 Other Support Services - School Administration | 8,918.63 | 5,994.72 | 839.15 |
| 2540 Operation and Maintenance of Plant Services | 156,950.08 | - | - |
| 2550 Student Transportation Services | 547.17 | - | - |
| 2570 Internal Services | 40,791.62 | - | - |
| 2620 Planning, Research, Development, Evaluation Services, Grant Writing, and Statistical Services | 13,664.10 | 8,534.24 | 5,129.86 |
| 2640 Staff Services | 3,835.97 | 2,601.60 | 1,234.37 |
| 2660 Technology Services | 494.78 | - | - |
| 2700 Supplemental Retirement Program | 3,627.61 | - | 3,627.61 |
| Total Support Services Expenditures | \$ 1,200,585.89 | \$ 505,555.62 | \$ 232,603.59 |

Enterprise and Community Services Expenditures

| | Totals | Object 100 | Object 200 |
|---|------------------------|----------------------|----------------------|
| 3100 Food Services | \$ 1,677,231.09 | \$ 530,043.34 | \$ 443,023.79 |
| 3300 Community Services | 34,777.28 | 10,716.01 | 3,259.31 |
| Total Enterprise and Community Services Expenditures | \$ 1,712,008.37 | \$ 540,759.35 | \$ 446,283.10 |

Other Uses Expenditures

| | Totals | Object 100 | Object 200 |
|--------------------------------------|----------------------|-------------------|-------------------|
| 5200 Transfers of Funds | \$ 170,000.00 | \$ - | \$ - |
| Total Other Uses Expenditures | \$ 170,000.00 | \$ - | \$ - |

Grand Total

| | | |
|------------------------|------------------------|------------------------|
| \$ 6,113,189.26 | \$ 1,976,567.61 | \$ 1,203,192.42 |
|------------------------|------------------------|------------------------|

| Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|----------------------|------------------------|---------------------|---------------------|-------------|
| \$ 455.00 | \$ 257,032.94 | \$ - | \$ - | \$ - |
| 18,213.01 | 96,999.69 | 19,955.48 | 696.76 | - |
| - | 200,541.35 | - | - | - |
| 8,994.07 | 24,317.78 | - | 117.35 | - |
| - | 305,373.07 | - | - | - |
| 220,013.57 | 283,229.01 | - | 70,454.41 | - |
| - | 5,196.90 | - | - | - |
| 991.03 | 58,895.78 | - | 16.00 | - |
| - | 372.14 | - | - | - |
| 59.16 | - | - | - | - |
| - | 573.53 | - | 3,538.60 | - |
| \$ 248,725.84 | \$ 1,232,532.19 | \$ 19,955.48 | \$ 74,823.12 | \$ - |

| Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|----------------------|----------------------|---------------------|--------------------|-------------|
| \$ 440.00 | \$ 10,861.55 | \$ - | \$ 324.00 | \$ - |
| 487.50 | 379.99 | - | - | - |
| 12,667.52 | 291.19 | - | - | - |
| 34,107.00 | - | - | - | - |
| - | - | - | 595.00 | - |
| 23,880.06 | 32,215.79 | - | - | - |
| - | 387.90 | - | - | - |
| 144,434.32 | 486.45 | - | - | - |
| 2,084.76 | - | - | - | - |
| 45,968.95 | 22,437.13 | 88,544.00 | - | - |
| 547.17 | - | - | - | - |
| - | 40,791.62 | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | 494.78 | - |
| - | - | - | - | - |
| \$ 264,617.28 | \$ 107,851.62 | \$ 88,544.00 | \$ 1,413.78 | \$ - |

| Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---------------------|----------------------|-------------|--------------------|-------------|
| \$ 6,757.40 | \$ 694,623.56 | \$ - | \$ 2,783.00 | \$ - |
| 12,278.47 | 8,523.49 | - | - | - |
| \$ 19,035.87 | \$ 703,147.05 | \$ - | \$ 2,783.00 | \$ - |

| Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|----------------------|------------------------|----------------------|---------------------|----------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 170,000.00 |
| \$ - | \$ - | \$ - | \$ - | \$ 170,000.00 |
| \$ 532,378.99 | \$ 2,043,530.86 | \$ 108,499.48 | \$ 79,019.90 | \$ 170,000.00 |

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

EXPENDITURE SUMMARY - DEBT SERVICE FUND

June 30, 2016

Other Uses Expenditures

5100 Debt Service

| | Totals | Object 600 | Object 700 |
|--------------------------------------|------------------------|------------------------|-------------|
| | \$ 3,752,027.75 | \$ 3,752,027.75 | \$ - |
| Total Other Uses Expenditures | \$ 3,752,027.75 | \$ 3,752,027.75 | \$ - |
| Grand Total | \$ 3,752,027.75 | \$ 3,752,027.75 | \$ - |

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

EXPENDITURE SUMMARY - INTERNAL SERVICE FUND

June 30, 2016

Support Services Expenditures

2320 Executive Administration Services

| | Totals | Object 300 |
|--|---------------------|---------------------|
| | \$ 10,645.51 | \$ 10,645.51 |
| Total Support Services Expenditures | \$ 10,645.51 | \$ 10,645.51 |
| Grand Total | \$ 10,645.51 | \$ 10,645.51 |

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN ACTIVITY BALANCES -
 BY SCHOOL

STUDENT ACTIVITIES (A division of the special revenue fund)

For the Year Ended June 30, 2016

| | July 1, 2015 Balances | Receipts | Disbursements | June 30, 2016 Balances |
|--------------------------|--------------------------|-------------------|-------------------|---------------------------|
| Lebanon High School | \$ 319,738 | \$ 519,559 | \$ 469,026 | \$ 370,271 |
| Seven Oaks Middle School | 43,496 | 28,018 | 32,829 | 38,685 |
| Elementary Schools: | | | | |
| Cascade | 13,875 | 26,344 | 29,211 | 11,008 |
| Green Acres | 12,616 | 8,771 | 7,469 | 13,918 |
| Hamilton Creek | 12,989 | 14,234 | 12,758 | 14,465 |
| Lacomb | 39,921 | 12,420 | 38,241 | 14,100 |
| Riverview | 8,730 | 11,222 | 10,611 | 9,341 |
| Pioneer | 15,717 | 28,249 | 32,633 | 11,333 |
| Totals | <u>\$ 467,082</u> | <u>\$ 648,817</u> | <u>\$ 632,778</u> | <u>\$ 483,121</u> |

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR THE RETIREMENT OF
 BONDED DEBT

For the Year Ended June 30, 2016

| Fiscal Year | TOTAL ALL REQUIREMENTS | | | GENERAL OBLIGATION BONDS 2005 Refunding | | |
|----------------|------------------------|----------------------|----------------------|--|----------------------|---------------------|
| | Total | Principal | Interest | Total | Principal | Interest |
| 2017 | \$ 3,715,696 | \$ 1,620,000 | \$ 2,095,696 | \$ 1,414,788 | \$ 465,000 | \$ 949,788 |
| 2018 | 3,807,795 | 1,770,000 | 2,037,795 | 1,571,538 | 645,000 | 926,538 |
| 2019 | 3,893,983 | 1,920,000 | 1,973,983 | 1,629,288 | 735,000 | 894,288 |
| 2020 | 3,990,201 | 2,090,000 | 1,900,201 | 1,662,538 | 805,000 | 857,538 |
| 2021 | 4,090,702 | 2,295,000 | 1,795,702 | 1,872,288 | 1,055,000 | 817,288 |
| 2022 | 4,189,838 | 2,495,000 | 1,694,838 | 1,936,900 | 1,175,000 | 761,900 |
| 2023 | 4,292,152 | 2,725,000 | 1,567,152 | 1,920,213 | 1,220,000 | 700,213 |
| 2024 | 4,397,801 | 2,970,000 | 1,427,801 | 636,163 | - | 636,163 |
| 2025 | 4,504,352 | 3,215,000 | 1,289,352 | 796,163 | 160,000 | 636,163 |
| 2026 | 6,461,070 | 5,365,000 | 1,096,070 | 2,263,963 | 1,635,000 | 628,963 |
| 2027 | 4,631,756 | 3,755,000 | 876,756 | 2,543,125 | 2,000,000 | 543,125 |
| 2028 | 4,745,588 | 4,060,000 | 685,588 | 2,693,125 | 2,260,000 | 433,125 |
| 2029 | 4,865,788 | 4,390,000 | 475,788 | 2,923,825 | 2,615,000 | 308,825 |
| 2030 | 4,987,650 | 4,740,000 | 247,650 | 3,165,000 | 3,000,000 | 165,000 |
| TOTALS | <u>\$ 62,574,372</u> | <u>\$ 43,410,000</u> | <u>\$ 19,164,372</u> | <u>\$ 27,028,917</u> | <u>\$ 17,770,000</u> | <u>\$ 9,258,917</u> |

(Continued)

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR THE RETIREMENT OF
BONDED DEBT

For the Year Ended June 30, 2016

(Continued)

| Fiscal Year | GENERAL OBLIGATION BONDS 2011 Refunding | | | QUALIFIED SCHOOL CONSTRUCTION BONDS Series 2011 | | |
|----------------|--|----------------------|---------------------|--|---------------------|-------------------|
| | Total | Principal | Interest | Total | Principal | Interest |
| 2017 | \$ 2,203,694 | \$ 1,155,000 | \$ 1,048,694 | \$ 97,214 | \$ - | \$ 97,214 |
| 2018 | 2,139,044 | 1,125,000 | 1,014,044 | 97,213 | - | 97,213 |
| 2019 | 2,167,481 | 1,185,000 | 982,481 | 97,214 | - | 97,214 |
| 2020 | 2,230,450 | 1,285,000 | 945,450 | 97,213 | - | 97,213 |
| 2021 | 2,121,200 | 1,240,000 | 881,200 | 97,214 | - | 97,214 |
| 2022 | 2,155,725 | 1,320,000 | 835,725 | 97,213 | - | 97,213 |
| 2023 | 2,274,725 | 1,505,000 | 769,725 | 97,214 | - | 97,214 |
| 2024 | 3,664,425 | 2,970,000 | 694,425 | 97,213 | - | 97,213 |
| 2025 | 3,610,975 | 3,055,000 | 555,975 | 97,214 | - | 97,214 |
| 2026 | 2,253,500 | 1,835,000 | 418,500 | 1,943,607 | 1,895,000 | 48,607 |
| 2027 | 2,088,631 | 1,755,000 | 333,631 | - | - | - |
| 2028 | 2,052,463 | 1,800,000 | 252,463 | - | - | - |
| 2029 | 1,941,963 | 1,775,000 | 166,963 | - | - | - |
| 2030 | 1,822,650 | 1,740,000 | 82,650 | - | - | - |
| TOTALS | <u>\$ 32,726,926</u> | <u>\$ 23,745,000</u> | <u>\$ 8,981,926</u> | <u>\$ 2,818,529</u> | <u>\$ 1,895,000</u> | <u>\$ 923,529</u> |

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY
STATE REGULATIONS**



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors
Lebanon Community School District No. 9
Lebanon, Oregon 97355

We have audited the basic financial statements of Lebanon Community School District No. 9 as of and for the year ended June 30, 2016, and have issued our report thereon dated December 28, 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 Lebanon Community School District No. 9'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 162-010-0000 through 162-010-0320 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 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.

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 District was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies or material weaknesses, as defined above. 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.

This report is intended solely for the information and use of the board of directors and management of Lebanon Community School District No. 9 and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.


Accuity, LLC
December 28, 2016

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2016

Part A is needed for computing Oregon's full allocation for ESEA, Title I, and other Federal Funds for Education.

- A. **Energy Bill for Heating - All Funds:**
 Please enter your expenditures for electricity and heating fuel for these Functions and Objects.

| | |
|---------------|---------------------|
| | Objects 325 and 326 |
| Function 2540 | \$ 661,656 |
| Function 2550 | \$ - |

- B. **Replacement of Equipment - General Fund:**
 Include all General Fund expenditures in object 542, except for the following exclusions:

| |
|------|
| \$ - |
|------|

Exclude these functions: Exclude these functions:

| | | | |
|----------------------|--------------------------|------|----------------------|
| 1113, 1122, and 1132 | Co-curricular Activities | 4150 | Construction |
| 1140 | Pre-Kindergarten | 2550 | Pupil Transportation |
| 1300 | Continuing Education | 3100 | Food Service |
| 1400 | Summer School | 3300 | Community Services |

SINGLE AUDIT SECTION

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

| Federal Grantor, Pass through Grantor, Program Title | Pass-through Entity ID | CFDA | Expenditures |
|--|---------------------------|--------|------------------|
| <u>U.S. Department of Education</u> | | | |
| Passed through Oregon State Department of Education | | | |
| Title I, Part A Cluster | | | |
| Title I Grants to Local Educational Agencies | 2101 | 84.010 | \$ 1,155,060 |
| Special Education Cluster | | | |
| IDEA Special Education Grants To States | 2101 | 84.027 | 606,377 |
| SPIG - Personnel Development Grant | 2101 | 84.323 | 310 |
| English Language Acquisition Grants | 2101 | 84.365 | 1,058 |
| Title IIA Improving Teaching Quality State Grants | 2101 | 84.367 | <u>181,573</u> |
| Total Passed through Oregon State Department of Education | | | <u>1,944,378</u> |
| Passed through Linn-Benton Community College | | | |
| Career and Technical Education Basic Grants | N/A | 84.048 | <u>35,907</u> |
| Passed through Oregon State University | | | |
| Gaining Early Awareness and Readiness for Undergraduates | N/A | 84.334 | <u>51,268</u> |
| Passed through Oregon Research Institute | | | |
| Positive Family Support Project | N/A | 84.324 | <u>2,904</u> |
| Passed through State of Oregon Department of Health Services | | | |
| Youth Transition Program (YTP) | N/A | 84.126 | <u>16,858</u> |
| Total U.S. Department of Education | | | <u>2,051,315</u> |
| <u>U.S. Department of Defense</u> | | | |
| Passed through University of Oregon | | | |
| JROTC Program | N/A | 12.000 | <u>66,034</u> |

(Continued)

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

(Continued)

| Federal Grantor, Pass through Grantor, Program Title | Pass-through Entity ID | CFDA | Expenditures |
|---|---------------------------|--------|---------------------|
| <u>U.S. Department of Agriculture</u> | | | |
| Passed through Oregon State Department of Education | | | |
| Child Nutrition Cluster | | | |
| Food Distribution/USDA Commodities | 2101 | 10.559 | \$ 233 |
| Food Distribution/USDA Commodities | 2101 | 10.555 | 116,079 |
| School Breakfast Program | 2101 | 10.553 | 493,079 |
| National School Lunch Program | 2101 | 10.555 | 813,764 |
| Summer Food Service Program | 2101 | 10.559 | <u>44,108</u> |
| Total Child Nutrition Cluster | | | <u>1,467,263</u> |
| Fresh Fruit and Vegetable Program | 2101 | 10.582 | 42,947 |
| Child and Adult Care Food Program | 2101 | 10.558 | 14,754 |
| Child Care - Cash for Commodities | 2101 | 10.558 | <u>1,141</u> |
| Total Passed through Oregon Department of Education | | | <u>1,526,105</u> |
| Passed through Linn County | | | |
| Federal Forest Fees | N/A | 10.666 | <u>205,708</u> |
| Total U.S. Department of Agriculture | | | <u>1,731,813</u> |
| Total federal expenditures | | | <u>\$ 3,849,162</u> |

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

I. PURPOSE OF SCHEDULE

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of Lebanon Community School District No. 9's under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lebanon Community School District No. 9, it is not intended to and does not present the financial position, changes in net position, or cash flows of Lebanon Community School District No. 9.

II. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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 allowable or are limited as to reimbursement. Lebanon Community School District No. 9 has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

B. Federal Financial Assistance

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the schedule of expenditures of federal awards, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

C. Major Programs

The Uniform Guidance establishes criteria to be used in defining major federal financial assistance programs. Major programs for the District are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance.

D. Reporting Entity

The reporting entity is fully described in the notes to the District's basic financial statements. Additionally, the schedule of expenditures of federal awards includes all federal programs administered by the District for the year ended June 30, 2016.

E. Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting.



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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

Board of Directors
Lebanon Community School District No. 9
Lebanon, Oregon 97355

We have audited the basic financial statements of Lebanon Community School District No. 9 as of and for the year ended June 30, 2016, and have issued our report thereon dated December 28, 2016. 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. Our report includes a reference to other auditors who audited the financial statements of Sand Ridge Charter School. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Sand Ridge Charter School were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Sand Ridge Charter School.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 District's 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 entity's 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 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 Lebanon Community School District No. 9's financial statements are free of material misstatement, we performed tests of its 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is stylized and cursive.

Accuity, LLC

Albany, Oregon
December 28, 2016



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE***

Board of Directors
Lebanon Community School District No. 9
Lebanon, Oregon 97355

Report on Compliance for Each Major Federal Program

We have audited Lebanon Community School District No. 9 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 District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's 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 the District's 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lebanon Community School District No. 9 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 of Lebanon Community School District No. 9 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on 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 the District's 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 a 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.

This 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.



Accuity, LLC

Albany, Oregon
December 28, 2016

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|---|------------|
| Type of auditor's opinion issued: | Unmodified |
| Internal control over financial reporting: | |
| • Material weaknesses identified? | No |
| • Significant deficiencies identified not considered to be material weaknesses? | No |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|------------|
| Internal control over major programs: | |
| • Material weaknesses identified? | No |
| • Significant deficiencies identified not considered to be material weaknesses? | No |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 84.010 | Title I Grants to Local Education Agencies |

| | |
|--|-----------|
| Dollar threshold used to distinguish between Type A and type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

EMPLOYMENT CONTRACT
BETWEEN
ROBERT HESS
AND THE
GOVERNING BOARD OF THE
LEBANON COMMUNITY SCHOOLS NO. 9
OF LINN COUNTY, OREGON

THIS AGREEMENT is made and entered into this 6th Day of March 2014, by and between the LEBANON COMMUNITY SCHOOLS, hereinafter referred to as the "District," and ROBERT HESS, hereinafter referred to as "Superintendent."

W I T N E S S E T H:

WHEREAS, Superintendent is desirous of continuing to serve as the chief executive officer of the District and to perform all duties required by that office; and

WHEREAS, the District is desirous of securing a Superintendent of Schools to supervise and direct the schools and the educational program of the District under the general supervision of the District's School Board; and

WHEREAS, the District and Superintendent believe that a written Employment Contract is necessary to describe specifically their relationship and to serve as the basis of effective communication between them as they fulfill their governance and administrative functions in the operation of the education program of the Schools;

NOW, THEREFORE, in consideration of the mutual promises contained herein, the District hereby employs Superintendent as the Superintendent of Schools in and for *said* District, and Superintendent hereby accepts such employment upon the terms and conditions as set forth below.

SECTION 1. TERM

This Agreement shall be for a period of three (3) years commencing on July 1, 2015, and ending on June 30, 2018. This contract is only for the time specified above and it shall not be otherwise extended or renewed by any "automatic" provision.

Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of the District or Superintendent to terminate this Agreement at any time subject only to the provisions herein relating to termination.

The Superintendent may undertake consultative work, teaching university courses, speaking engagements, writing and other professional activities for honoraria and expenses, provided such activities do not interfere with the Superintendent's normal duties. The Superintendent shall be

entitled to engage in twelve (12) days of such professional activities. Any such professional activities beyond twelve (12) days shall require prior approval of the Board or the Superintendent may utilize vacation time for additional days. In subsequent years of the contract, the parties shall agree on the appropriate amount of days the Superintendent may engage in professional activities.

SECTION 2. DISCHARGE FOR CAUSE

The District may terminate this employment contract at any time upon good and just cause. For the purposes of this section, cause is deemed conduct that is seriously prejudicial to and which substantially affects the fundamental mission of the district, including, but not limited to: neglect of duty, breach of contract, immorality, insubordination, conviction of a crime involving moral turpitude, inadequate performance, failure to comply with such reasonable requirements as the Board may prescribe to show normal improvement, failure to show evidence of professional training and growth, and failure to maintain in good standing a valid and appropriate license to act as a Superintendent of Schools as required by the State of Oregon.

Notice of the District's consideration of discharge for cause shall be given in writing. Such notice shall include a statement of the reasons constituting cause and shall be given not less than ten (10) days prior to the date that Superintendent shall be entitled to appear before the Board as hereinafter provided. Superintendent shall be entitled to appear before the Board to discuss such causes. Superintendent may choose to be accompanied by legal counsel at such meeting at Superintendent's sole cost and expense. Such meeting may be conducted in executive session as provided by Oregon law. Superintendent shall be provided a written decision describing the results of the meeting.

SECTION 3. RESIGNATION OF SUPERINTENDENT

Superintendent may resign as Superintendent upon ninety (90) days' written notice to the School Board Chairperson.

SECTION 4. SALARY

For the 2015-2016 school years, the District shall pay Superintendent an annual salary of \$127,500 (One Hundred Twenty-Seven Thousand Five Hundred dollars) payable in twelve (12) equal monthly payments. For each additional school year, the District shall pay Superintendent an annual salary not less than the preceding year, ~~together with such percentage increase as provided by the District for other District administrators.~~ This salary rate may only be reduced by mutual agreement of the Superintendent and the School Board. The District will pay on behalf of Superintendent the employee's contribution to the Oregon Public Employees Retirement System.

SECTION 5. DUTIES

As chief executive office of the District, Superintendent shall perform the duties of District Superintendent as prescribed by the Laws of the State of Oregon. In addition to the powers and

duties as provided by law, Superintendent shall have the additional powers and duties set forth in the position description of Superintendent.

Superintendent shall be entitled to:

- a. Present Superintendent's recommendation to the Board on any subject under consideration by the Board prior to action being taken on the subject by the Board;
- b. Attend each meeting of the Board, except any meeting called for the purpose of discussing employment of Superintendent; and
- c. Serve as an ex-officio member of each committee established by the Board.

This is an agreement for the performance for professional services as superintendent by the Superintendent, who shall not be assigned to any other position.

SECTION 6. PROFESSIONAL GROWTH OF SUPERINTENDENT

The District encourages the continuing professional growth of Superintendent through Superintendent's participation in:

- a. Seminars and courses offered by public or private educational institutions to be reimbursed up to an amount agreed upon between the Board and Superintendent; and
- b. Informational meetings with other persons whose particular skills or backgrounds would serve to improve the capacity of Superintendent to perform Superintendent's professional responsibilities for the District.
- c. The Superintendent's travel to and from participation in national conferences at District expense during each year of this contract as may be agreed between Superintendent and the School Board Chairperson. The District and Superintendent recognize and anticipate that this participation will include the AASA conference.

SECTION 7. SUPERINTENDENT'S LICENSE

Superintendent shall maintain throughout the life of this Agreement a valid and appropriate license to act as the Superintendent of Schools as required by the State of Oregon. The breach of this requirement will immediately terminate this Agreement without recourse.

SECTION 8. RESIDENCE

Superintendent shall reside within the boundaries of the District during the term of this contract.

SECTION 9. EVALUATION

A. Purpose of Evaluation. The Board will evaluate the Superintendent's performance for the purposes of improving District leadership, maintaining open and effective communication between the Board and the Superintendent, and enhancing relations between the Board and the Superintendent. The evaluations shall be made in reference to the Superintendent's position description as more fully set forth in District Policy CBA and those goals and objectives established by the Board in consultation with the Superintendent.

B. Procedure for Evaluations. The Superintendent shall be evaluated according to the OSBA Superintendent Standards and any goals that the Board has established. The evaluation procedure shall be conducted in Open Session as follows:

- a. The Board will establish performance goals for the school year by October 1st.
- b. The Superintendent shall reflect in writing on the standards, goals, and any other pertinent information to the Board by May 1st.
- c. Each Board Member shall share identify District/Superintendent strengths and areas for improvement and provide a copy of their individual ratings to the Board Chair.
- d. The Board Chair will summarize the feedback/ratings, assess in writing the performance of the Superintendent, and provide a copy to the Superintendent prior to June 1st.
- e. The Superintendent shall be entitled to meet with the Board in Executive Session to review the evaluation before it is made public..

Schedule for Evaluations. The Superintendent will be evaluated annually prior to June 30th of each school year.

SECTION 10. PERFORMANCE GOALS

Annually, the Board shall, in consultation with the Superintendent, establish general goals and specific objectives for the school year. The goals and objectives shall be established in writing and be among the criteria for evaluation of the Superintendent. These goals (or Key Result Areas) will be completed prior to October 1st of each school year.

- ~~—**Procedure for Evaluations.** The Board shall meet in Executive Session and evaluate and assess in writing the performance of the Superintendent in accordance with the schedule set forth below. The Superintendent shall be entitled to meet with the Board to review the evaluation before it is completed and to provide any information that he deems pertinent.~~

~~**Schedule for Evaluations.** It is intended that the schedule for formal annual evaluation of the Superintendent will be congruent with District Policy CBG which specifies the date by which the Board will decide upon renewal or extension of the Superintendent's contract and, thereafter, inform the Superintendent of that decision. The first formal evaluation under this contract shall be completed by January 30, 2016, and, thereafter, by January 30 each contract year.~~

SECTION 10. PERFORMANCE GOALS

~~Annually, and not later than March 1, the Board shall, in consultation with the Superintendent, establish general goals and specific objectives for the school year. The goals and objectives shall be established in writing and be among the criteria for evaluation of the Superintendent.~~

SECTION 11. CONTRACT DAYS

Superintendent shall be required to render 260 days of full and regular service to the District during each year of this Agreement, except that he shall be entitled to twenty-five (25) days of

vacation in addition to any other paid holidays normally observed by the District, and excepting to the various forms of leave days provided elsewhere in this Agreement. The Superintendent may accumulate ten (10) vacation days from one contract year into the next contract year. Vacation days shall not accumulate beyond thirty-five (35); any vacation days in excess of thirty-five (35) shall be forfeited. Any accumulation consistent with the provisions of this section, to a limit of ten (10) days per fiscal year, may be cashed out by Superintendent in June at the current year's rate of pay.

SECTION 12. FRINGE BENEFITS

~~Superintendent shall be entitled to participate in all fringe benefits provided other administrative employees of the District, with the exception of the Early Retirement Incentive.~~ The Superintendent's fringe benefits shall include: (1) sick leave, emergency leave and bereavement leave; (2) annual premium for any term life insurance available for District administrative employees; and (3) the District will contribute \$1,000.00 (One Thousand dollars) per month payable into a tax-deferred annuity. Superintendent may purchase short and/or long term disability insurance at their own expense.

The Superintendent shall be allowed to defer such other portions of his salary into a tax-sheltered annuity plan of the Superintendent's choice in an amount authorized by law. The Superintendent shall be responsible for any payroll costs associated with this tax-sheltered annuity.

The District recognizes that Superintendent is allowed to accumulate sick leave from other Oregon school districts pursuant to ORS 332.507, and Superintendent's accumulation of leave is governed by ORS 332.507.

SECTION 13. DISABILITY OF SUPERINTENDENT

Notwithstanding anything in this Agreement to the contrary, the District is hereby given the option to terminate this Agreement in the event that Superintendent shall become permanently disabled and eligible for long-term disability benefits provided under Section 12 during the term of this Agreement or any extension thereof. Permanent disability is a disability which incapacitates Superintendent from performing Superintendent's duties under this Agreement on a regular and continuing basis for a period of 120 days. Such option shall be exercised by the District giving ten (10) days written notice to Superintendent by registered mail and addressed to Superintendent at the District office or at such other address as Superintendent shall furnish in writing to the District.

In no event shall the long-term disability amount paid to Superintendent exceed the full pay of Superintendent including the employer PERS contribution and insurance benefits.

SECTION 14. SICK LEAVE

Sick leave shall be credited to Superintendent's account upon Superintendent's reporting for duty and shall accrue during the term of this Agreement in accordance with ORS 332.507.

SECTION 15. HEALTH BENEFITS

The District shall provide Superintendent with the same health insurance plan provided to its other employee groups. Superintendent is responsible for any deductibles, co-payments, or other costs that the members of other employee groups pay for district-provided health insurance.

SECTION 16. EXPENSES

The District shall reimburse Superintendent for all actual and necessary expenses incurred by Superintendent within the scope of Superintendent's employment and within amounts budgeted for such purposes.

SECTION 17. MEMBERSHIP DUES

The District shall pay the cost of Superintendent's annual membership dues in the following organizations:

- a. Professional organizations such as AASA, COSA and OASE; and
- b. Rotary Club and such other dues as may be agreed upon by the parties.

SECTION 18. EXTENSION OF AGREEMENT

This Contract may not be extended beyond a term of three (3) years. This Contract shall automatically expire at the end of its stated term. At the time of evaluation each ~~January~~June, the Board may extend this employment contract for additional year (s), or offer a subsequent employment contract for additional years. Nothing in this Agreement shall prohibit the parties from mutually agreeing to change one or more of the terms of this Agreement in the future.

SECTION 19. PROFESSIONAL LIABILITY

The District agrees that it shall defend, hold harmless, and indemnify the Superintendent from any and all demands, claims, suits, actions and legal proceedings brought against the Superintendent in his individual capacity, or in his official capacity as agent and employee of the District, provided the incident arose while the Superintendent was acting within the course and scope of his employment and excluding criminal litigation and as such liability coverage is within the authority of the Board to provide under state law. Except that, in no case, will individual Board members be considered personally liable for indemnifying the Superintendent against such demands, claims, suits, actions and legal proceedings.

SECTION 20. ATTORNEY FEES

In the event of any suit or action hereon, the prevailing party in such suit or action shall be entitled to reasonable attorney fees to be fixed by the trial court, if any appeal is taken, from the decision of the trial court, such further sum as may be fixed by the appellate court as reasonable

attorney fees in the appellate court, together with the prevailing party's costs and disbursements incurred therein.

SECTION 21: APPLICABLE LAW

This Agreement is to be construed under the laws of the State of Oregon. The venue for resolving all legal disputes under this agreement shall be in the Circuit Court of Linn County, Oregon.

IN WITNESS WHEREOF, the District, pursuant to the authority of its Board of Directors, by resolution duly and regularly adopted on ~~March-February 96~~, 20174, has caused two originals of this Agreement to be signed in the name of the District by the Chairperson of the School Board, and Superintendent has hereunto affixed his hand and seal the day and year first above mentioned.

DISTRICT:
LEBANON COMMUNITY SCHOOLS
LINN COUNTY, OREGON

SUPERINTENDENT:

By: _____
Chairperson Russ McUne

By: _____
Superintendent Robert Hess

EMPLOYMENT CONTRACT
BETWEEN
ROBERT HESS
AND THE
GOVERNING BOARD OF THE
LEBANON COMMUNITY SCHOOLS NO. 9
OF LINN COUNTY, OREGON

THIS AGREEMENT is made and entered into this 96th Day of ~~March~~February 2017~~4~~, by and between the LEBANON COMMUNITY SCHOOLS, hereinafter referred to as the "District," and ROBERT HESS, hereinafter referred to as "Superintendent."

W I T N E S S E T H:

WHEREAS, Superintendent is desirous of continuing to serve as the chief executive officer of the District and to perform all duties required by that office; and

WHEREAS, the District is desirous of securing a Superintendent of Schools to supervise and direct the schools and the educational program of the District under the general supervision of the District's School Board; and

WHEREAS, the District and Superintendent believe that a written Employment Contract is necessary to describe specifically their relationship and to serve as the basis of effective communication between them as they fulfill their governance and administrative functions in the operation of the education program of the Schools;

NOW, THEREFORE, in consideration of the mutual promises contained herein, the District hereby employs Superintendent as the Superintendent of Schools in and for *said* District, and Superintendent hereby accepts such employment upon the terms and conditions as set forth below.

SECTION 1. TERM

This Agreement shall be for a period of three (3) years commencing on July 1, ~~2015~~2018, and ending on June 30, ~~2021~~18. This contract is only for the time specified above and it shall not be otherwise extended or renewed by any "automatic" provision.

Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of the District or Superintendent to terminate this Agreement at any time subject only to the provisions herein relating to termination.

The Superintendent may undertake consultative work, teaching university courses, speaking engagements, writing and other professional activities for honoraria and expenses, provided such activities do not interfere with the Superintendent's normal duties. The Superintendent shall be

entitled to engage in twelve (12) days of such professional activities. Any such professional activities beyond twelve (12) days shall require prior approval of the Board or the Superintendent may utilize vacation time for additional days. In subsequent years of the contract, the parties shall agree on the appropriate amount of days the Superintendent may engage in professional activities.

SECTION 2. DISCHARGE FOR CAUSE

The District may terminate this employment contract at any time upon good and just cause. For the purposes of this section, cause is deemed conduct that is seriously prejudicial to and which substantially affects the fundamental mission of the district, including, but not limited to: neglect of duty, breach of contract, immorality, insubordination, conviction of a crime involving moral turpitude, inadequate performance, failure to comply with such reasonable requirements as the Board may prescribe to show normal improvement, failure to show evidence of professional training and growth, and failure to maintain in good standing a valid and appropriate license to act as a Superintendent of Schools as required by the State of Oregon.

Notice of the District's consideration of discharge for cause shall be given in writing. Such notice shall include a statement of the reasons constituting cause and shall be given not less than ten (10) days prior to the date that Superintendent shall be entitled to appear before the Board as hereinafter provided. Superintendent shall be entitled to appear before the Board to discuss such causes. Superintendent may choose to be accompanied by legal counsel at such meeting at Superintendent's sole cost and expense. Such meeting may be conducted in executive session as provided by Oregon law. Superintendent shall be provided a written decision describing the results of the meeting.

SECTION 3. RESIGNATION OF SUPERINTENDENT

Superintendent may resign as Superintendent upon ninety (90) days' written notice to the School Board Chairperson.

SECTION 4. SALARY

For the 201~~85~~-202~~14~~16 school years, the District shall pay Superintendent an annual salary of \$1~~3527,0500~~ (One Hundred Twenty-Seven Thousand Five Hundred dollars) payable in twelve (12) equal monthly payments. ~~For each additional school year, the District shall pay Superintendent an annual salary not less than the preceding year, together with such percentage increase as provided by the District for other District administrators. This salary rate may only be reduced by mutual agreement of the Superintendent and the School Board.~~ The District will pay on behalf of Superintendent the employee's contribution to the Oregon Public Employees Retirement System.

SECTION 5. DUTIES

As chief executive office of the District, Superintendent shall perform the duties of District Superintendent as prescribed by the Laws of the State of Oregon. In addition to the powers and

duties as provided by law, Superintendent shall have the additional powers and duties set forth in the position description of Superintendent.

Superintendent shall be entitled to:

- a. Present Superintendent's recommendation to the Board on any subject under consideration by the Board prior to action being taken on the subject by the Board;
- b. Attend each meeting of the Board, except any meeting called for the purpose of discussing employment of Superintendent; and
- c. Serve as an ex-officio member of each committee established by the Board.

This is an agreement for the performance for professional services as superintendent by the Superintendent, who shall not be assigned to any other position.

SECTION 6. PROFESSIONAL GROWTH OF SUPERINTENDENT

The District encourages the continuing professional growth of Superintendent through Superintendent's participation in:

- a. Seminars and courses offered by public or private educational institutions to be reimbursed up to an amount agreed upon between the Board and Superintendent; and
- b. Informational meetings with other persons whose particular skills or backgrounds would serve to improve the capacity of Superintendent to perform Superintendent's professional responsibilities for the District.
- c. The Superintendent's travel to and from participation in national conferences at District expense during each year of this contract as may be agreed between Superintendent and the School Board Chairperson. The District and Superintendent recognize and anticipate that this participation will include the AASA conference.

SECTION 7. SUPERINTENDENT'S LICENSE

Superintendent shall maintain throughout the life of this Agreement a valid and appropriate license to act as the Superintendent of Schools as required by the State of Oregon. The breach of this requirement will immediately terminate this Agreement without recourse.

SECTION 8. ~~RESIDENCE~~ COMMUNITY ENGAGEMENT

Superintendent shall ~~reside within the boundaries of the District during the term of this contract~~ be visible in the community, engage in service groups, and participate in other community building activities.

SECTION 9. EVALUATION

A. Purpose of Evaluation. The Board will evaluate the Superintendent's performance for the purposes of improving District leadership, maintaining open and effective communication between the Board and the Superintendent, and enhancing relations between the Board and the Superintendent. The evaluations shall be made in reference to the Superintendent's position

description as more fully set forth in District Policy CBA and those goals and objectives established by the Board in consultation with the Superintendent.

B. Procedure for Evaluations. The Superintendent shall be evaluated according to the OSBA Superintendent Standards and any goals that the Board has established. The evaluation procedure shall be conducted in Open Session as follows:

- a. The Board will establish performance goals for the school year by October 1st.
- b. The Superintendent shall reflect in writing on the standards, goals, and any other pertinent information to the Board by May 1st.
- c. Each Board Member shall share identify District/Superintendent strengths and areas for improvement and provide a copy of their individual ratings to the Board Chair.
- d. The Board Chair will summarize the feedback/ratings, Board shall meet in Executive Session and evaluate and assess in writing the performance of the Superintendent, and provide a copy to the Superintendent prior to June 1st.
- ~~e. in accordance with the schedule set forth below.~~ The Superintendent shall be entitled to meet with the Board in Executive Session to review the evaluation before it is completed made public. ~~and to provide any information that he deems pertinent.~~

~~C. Schedule for Evaluations. The Superintendent will be evaluated annually prior to June 30th of each school year. It is intended that the schedule for formal annual evaluation of the Superintendent will be congruent with District Policy CBG which specifies the date by which the Board will decide upon renewal or extension of the Superintendent's contract and, thereafter, inform the Superintendent of that decision. The first formal evaluation under this contract shall be completed by January 30, 2016, and, thereafter, by January 30 each contract year.~~

SECTION 10. PERFORMANCE GOALS

Annually, ~~and not later than March 1,~~ the Board shall, in consultation with the Superintendent, establish general goals and specific objectives for the school year. The goals and objectives shall be established in writing and be among the criteria for evaluation of the Superintendent. These goals (or Key Result Areas) will be completed prior to October 1st of each school year.

SECTION 11. CONTRACT DAYS

Superintendent shall be required to render 260 days of full and regular service to the District during each year of this Agreement, except that he shall be entitled to twenty-five (25) days of vacation in addition to any other paid holidays normally observed by the District, and excepting to the various forms of leave days provided elsewhere in this Agreement. The Superintendent may accumulate ten (10) vacation days from one contract year into the next contract year. Vacation days shall not accumulate beyond thirty-five (35); any vacation days in excess of thirty-five (35) shall be forfeited. Any accumulation consistent with the provisions of this section, to a limit of ten (10) days per fiscal year, may be cashed out by Superintendent in June at the current year's rate of pay.

SECTION 12. FRINGE BENEFITS

~~Superintendent shall be entitled to participate in all fringe benefits provided other administrative employees of the District, with the exception of the Early Retirement Incentive.~~ The Superintendent's fringe benefits shall include: (1) sick leave, emergency leave and bereavement leave; (2) annual premium for any term life insurance available for District administrative employees; and (3) the District will contribute \$1,~~500~~500.00 (One Thousand Five Hundred dollars) per month payable into a tax-deferred annuity. Superintendent may purchase short and/or long term disability insurance at their own expense.

The Superintendent shall be allowed to defer such other portions of his salary into a tax-sheltered annuity plan of the Superintendent's choice in an amount authorized by law. The Superintendent shall be responsible for any payroll costs associated with this tax-sheltered annuity.

The District recognizes that Superintendent is allowed to accumulate sick leave from other Oregon school districts pursuant to ORS 332.507, and Superintendent's accumulation of leave is governed by ORS 332.507.

SECTION 13. DISABILITY OF SUPERINTENDENT

Notwithstanding anything in this Agreement to the contrary, the District is hereby given the option to terminate this Agreement in the event that Superintendent shall become permanently disabled and eligible for long-term disability benefits provided under Section 12 during the term of this Agreement or any extension thereof. Permanent disability is a disability which incapacitates Superintendent from performing Superintendent's duties under this Agreement on a regular and continuing basis for a period of 120 days. Such option shall be exercised by the District giving ten (10) days written notice to Superintendent by registered mail and addressed to Superintendent at the District office or at such other address as Superintendent shall furnish in writing to the District.

In no event shall the long-term disability amount paid to Superintendent exceed the full pay of Superintendent including the employer PERS contribution and insurance benefits.

SECTION 14. SICK LEAVE

Sick leave shall be credited to Superintendent's account upon Superintendent's reporting for duty and shall accrue during the term of this Agreement in accordance with ORS 332.507.

SECTION 15. HEALTH BENEFITS

The District shall provide Superintendent with the same health insurance plan provided to its other employee groups. Superintendent is responsible for any deductibles, co-payments, or other costs that the members of other employee groups pay for district-provided health insurance.

SECTION 16. EXPENSES

The District shall reimburse Superintendent for all actual and necessary expenses incurred by Superintendent within the scope of Superintendent's employment and within amounts budgeted for such purposes.

SECTION 17. MEMBERSHIP DUES

The District shall pay the cost of Superintendent's annual membership dues in the following organizations:

- a. Professional organizations such as AASA, COSA and OASE; and
- b. Rotary Club and such other dues as may be agreed upon by the parties.

SECTION 18. EXTENSION OF AGREEMENT

This Contract may not be extended beyond a term of three (3) years. This Contract shall automatically expire at the end of its stated term. At the time of evaluation each ~~January~~June, the Board may extend this employment contract for additional year (s), or offer a subsequent employment contract for additional years. Nothing in this Agreement shall prohibit the parties from mutually agreeing to change one or more of the terms of this Agreement in the future.

SECTION 19. PROFESSIONAL LIABILITY

The District agrees that it shall defend, hold harmless, and indemnify the Superintendent from any and all demands, claims, suits, actions and legal proceedings brought against the Superintendent in his individual capacity, or in his official capacity as agent and employee of the District, provided the incident arose while the Superintendent was acting within the course and scope of his employment and excluding criminal litigation and as such liability coverage is within the authority of the Board to provide under state law. Except that, in no case, will individual Board members be considered personally liable for indemnifying the Superintendent against such demands, claims, suits, actions and legal proceedings.

SECTION 20. ATTORNEY FEES

In the event of any suit or action hereon, the prevailing party in such suit or action shall be entitled to reasonable attorney fees to be fixed by the trial court, if any appeal is taken, from the decision of the trial court, such further sum as may be fixed by the appellate court as reasonable attorney fees in the appellate court, together with the prevailing party's costs and disbursements incurred therein.

SECTION 21: APPLICABLE LAW

This Agreement is to be construed under the laws of the State of Oregon. The venue for resolving all legal disputes under this agreement shall be in the Circuit Court of Linn County, Oregon.

IN WITNESS WHEREOF, the District, pursuant to the authority of its Board of Directors, by resolution duly and regularly adopted on ~~March-February 96~~, 201~~74~~, has caused two originals of this Agreement to be signed in the name of the District by the Chairperson of the School Board, and Superintendent has hereunto affixed his hand and seal the day and year first above mentioned.

DISTRICT:
LEBANON COMMUNITY SCHOOLS
LINN COUNTY, OREGON

SUPERINTENDENT:

By: _____
Chairperson Russ McUne

By: _____
Superintendent Robert Hess

Lebanon Community Schools

Code: **CBC**
Adopted: 6/16/09
Readopted: 3/4/10
Orig. Code(s): CBC

Superintendent's Contract

The superintendent, upon appointment by the Board, will receive a written contract which will state the terms of employment such as compensation, benefits and other conditions. Contracts shall not be issued for more than three years at a time. The contract shall automatically expire at the end of its term. The Board may, however, elect to issue a subsequent contract for not more than an additional three years at any time.

The compensation and benefits for the position of superintendent will be fixed by the Board, based upon the responsibilities required of the superintendent in performing his/her duties. The Board may not enter into an employment contract that contains provisions that expressly obligates the district or school to compensate the superintendent for work that is not performed. The district may provide health benefits for a superintendent that is no longer employed by the district until the superintendent:

1. Reaches 65 years of age; or
2. Finds new employment that provides health benefit.

Provisions for termination of the superintendent's employment, either by the Board or the superintendent, will also be set forth in the superintendent's employment contract. For a period of one year after termination of the contract the superintendent may not:

1. Purchase property or surplus property owned by the district; or
2. Use property owned by the district or school in a manner other than the manner permitted for the general public.

END OF POLICY

Legal Reference(s):

[ORS 332.432](#)
[ORS 332.505](#)

[ORS 332.507](#)
[ORS 332.525](#)
[ORS 342.549](#)

[ORS 342.815\(1\),\(3\),\(6\),\(8\)](#)
[ORS 342.835](#)

Ambrose v. Bd. of Educ., 51 Or. App. 621 (1981).
Babbitt v. Mari-Linn Sch. Dist., 94 Or. App. 161 (1988).

Cross Reference(s):

CBB - Recruitment and Appointment of the Superintendent

**LEBANON COMMUNITY SCHOOL DISTRICT
SCHOOL BOARD MEETING
MINUTES
January 12, 2017 - 6:00 PM
Lebanon High School, 100 S. 5th Street, Lebanon, Oregon 97355**

A regular School Board Meeting was held at Lebanon High School on January 12, 2017. Those present included:

| | |
|--------------------------|---|
| Richard Borden, Director | Rob Hess, Superintendent |
| Jerry Williams, Director | Bo Yates, Assistant Superintendent |
| Russ McUne, Director | Jennifer Meckley, Director of Human Resources |
| Mike Martin, Director | |
| Kellie Weber, Director | |

Minutes recorded by Nicole Hundley, Executive Secretary.

The meeting began with a performance by the Lebanon High School Chamber Choir and with updates from Choir Teacher Kevin Wong and Band Teacher Heidi Etter on recent accomplishments of the program.

AUDIENCE COMMENTS

Chair Russ McUne welcomed audience comments.

Yesenia Salinas, Bilingual Assistant, was present with several Latino families to speak to the Board about policies to protect their children under the new government administration. They expressed their concern for their children's safety and the fear they have of their families being separated or their children being mistreated.

Diane McCraw noted that she felt staff should have more input on the make up of snow days. She also discussed honoring high school seniors that are entering the military immediately following graduation.

GOOD NEWS/COMMUNITY COMMUNICATIONS

1. Report: Lebanon High School

Principal Brad Shreve discussed the high school's improving graduation rate, and presented information on the high school's attendance, assessment and opportunities. AVID Teacher Emmett Whittaker discussed the AVID program and four students then shared their AVID experience. Discussion ensued regarding attendance, percentage of students passing the AP tests, counseling services offered to students, and CTE programs

GENERAL BUSINESS

1. Action: Approve Athletic Drug Testing Program

The Athletic Drug Testing Program was presented with additional policy changes requested by the Board at the previous meeting and with a decrease of athletes tested in order to lower costs. Richard Borden felt that drug testing does not provide the desired results, and favored a diversion program instead of a punitive program with these costs. Kraig Hoene noted that other athletic directors with similar programs globally reported that it has changed their culture. Discussion ensued regarding holding athletes to a higher standard. Richard Borden expressed concern about disclosure of student confidential health records, and discussion ensued regarding student privacy. Kellie Weber and Jerry Williams expressed that they felt the program would be a deterrent and not punitive. Russ McUne discussed the Scio program. Richard Borden was concerned that the diversion program used by the District was based on Scientology teachings. Russ McUne and Rob Hess explained that the diversion option used by the majority of students is Linn County Mental Health. The Drug Free World program is an alternative of Page 6 of 11

the student's health insurance does not cover Linn County Mental Health, and has only been used by three students. Kraig Hoene noted that it is commonly used across the country as a free resource, but that we will research other programs. The policy does not specify which diversion program must be used. Kellie Weber noted that coaches are asking for this, and as they are closest to the issue, the Board should support their judgement and their desire for this program. Bo Yates asked Kraig Hoene if he was requesting funding as well or if this would be out of the existing athletic program budget. Kraig Hoene stated that they would look at funding themselves if necessary, though they would request budget funding. Mike Martin made a motion to approve the drug testing program for the 2017-2018 school year. Kellie Weber seconded the motion. The motion carried 4-1 with Richard Borden voting against.

2. Discussion: District Calendar 2017-2018

Rob Hess noted that this is the first proposed calendar that will then go to the Calendar Committee. They can create alternatives or adjustments, and the final calendar should be presented at the March meeting.

3. Action: Approve Open Enrollment of Non-Resident Students

Richard Borden made a motion to allow all non-resident students to receive written consent for admission under ORS 339.133(5)(b) for the 2017-2018 school year. Jerry Williams seconded the motion. The motion carried unanimously.

4. Action: Approve Interdistrict Transfer of Non-Resident Students

Richard Borden made a motion to allow all nonresident students to receive written consent for admission under the interdistrict transfer policy for the 2017-2018 school year and for all resident students to receive written consent for admission under the interdistrict transfer policy for the 2017-2018 school year. Jerry Williams seconded the motion. The motion carried unanimously.

5. Information: County of Linn v. State of Oregon and State Forestry Department

Documentation concerning the lawsuit was presented to the Board for informational purposes. There is no advantage to excluding the District from the lawsuit, and no possible repercussions or cost/time involved to remaining a member, so the District will continue to participate as a class member.

6. Information: Rights of Undocumented Students Statement

Several sample statements and resolutions from other districts were provided for Board consideration. The Board agreed to have a resolution created for approval at the next meeting. Kellie Weber will work with Nicole Hundley on the language. Kellie Weber will also attend the next Latino families' meeting. The Board asked that the already existing policies that support our undocumented students and their families be referenced in the resolution.

7. Report: Division 22

The Division 22 Report was presented for Board review. Jennifer Meckley noted that we are in compliance with all provisions except assessment, which was the result of a miscommunication regarding the science OAKS testing that has since been corrected. Evidence supporting the report is on file in her office.

8. Action: Approve LBL Local Service Plan 2017-2018 Resolution

Jerry Williams made a motion to approve the LBL Local Service Plan 2017-2018 Resolution as presented. Richard Borden seconded the motion. The motion carried unanimously.

DEPARTMENT REPORTS

1. Finance

(a) Report

Linda Darling reported that the 2015-2016 Audit will be in the next Board packet. The Board decided that they did not need the auditors to make a presentation.

(b) Action: Approve Wireless Cabling Upgrade

Linda Darling presented a request to continue using the federal e-rate program for technology upgrades and enhancements. This request would reinvest the funds reimbursed from the previous project into an upgrade of the wireless infrastructure and critical network cabling to the wireless devices and security cameras. There would be a request for proposals this Spring, with the project to be completed in Summer 2018. \$400,000 at an 80% reimbursement is recommended. Mike Martin expressed concern about committing funds out that far in advance and budgeting by reimbursement. Discussion ensued regarding options for moving the funds during the budget process if it was determined there was a different need. Richard Borden made a motion to approve the use of the federal e-rate program for the wireless upgrade and network cabling upgrade. Jerry Williams seconded the motion. The motion carried unanimously.

2. Operations

Bo Yates reported that the City of Lebanon approved the purchase of the Crowfoot property. Discussion ensued regarding the allocation of the funds for CTE programs. Linda Darling noted that the funds will be kept in a holding place until recommendations can be made to the Board for specific allocations.

COMMUNICATION

1. Board Communication

Mike Martin asked about additional reporting from Green Acres. He will clarify the reporting with Amanda Plummer and Nicole Hundley.

Russ McUne noted that he received an email from a high school student about how adding snow days to the end of the school year makes the first semester short and the second semester long. The student also expressed concern with the AP test and not having enough instruction prior to the test. Brad Shreve noted that moving the semester cut off does not change the amount of instruction days prior to the AP exam.

2. Superintendent Communication

Rob Hess noted that for snow day make ups the default in the calendar is to add on up to six days at the end of the year. Some districts are getting creative by adding minutes to the school days or not doing as many early release days. Discussion ensued. The Board has the authority to change the make up days, though parent conferences and holidays are in contract and would require an MOU with the union.

Rob Hess reported that Lisa Richard was recently awarded the Milken Award and is the first teacher in Linn County to be given the prestigious honor. Discussion ensued regarding the award ceremony at Pioneer School.

CONSENT AGENDA

1. Action: Approve December 8, 2016 Board Minutes

Mike Martin made a motion to approve the Consent Agenda. Richard Borden seconded the motion. The motion carried unanimously.

ADJOURN

The meeting adjourned at 7:50 PM.

Russ McUne, Board Chair

Rob Hess, Superintendent