



LEBANON

Community Schools

Pursuing excellence for every student every day

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9

Lebanon, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2019



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

DISTRICT OFFICIALS

June 30, 2019

BOARD OF DIRECTORS

Tom Oliver, Chair
29764 Bartels Creek Drive
Lebanon, Oregon 97355

Nick Brooks, Vice Chair
311 W. Jadon Drive
Lebanon, Oregon 97355

Richard Borden
320 Wheeler Street
Lebanon, Oregon 97355

Mike Martin
769 Mountain River Road
Lebanon, Oregon 97355

ADMINISTRATION

Bo Yates, Superintendent

Will Lewis, Business Director

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

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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, business-type 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, 2019, 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 0.88%, 2.3% and 3.5%, 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. The financial statements of Sand Ridge Charter School were not audited in accordance with *Government Auditing Standards*.

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.

Basis for Modified Opinion

Management has not obtained an actuarial valuation for the post-employment benefit obligation related to the early retirement plan. Accounting principles generally accepted in the United States of America require that actuarially determined annual required contributions related to postemployment benefits, attributable to employee services already rendered, be recorded as expenses as employees earn the benefits, which, if not funded would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect net position, liabilities, and expenses of the government-wide financial statements is not reasonably determinable.

Modified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Modified Opinion” paragraph, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lebanon Community School District No. 9, Lebanon, Oregon, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2019, the District adopted new accounting guidance: GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, schedules of funding progress and employer contributions, schedules of the District’s proportionate share of the net pension liability and District contributions for PERS and OPEB, and budgetary comparison information on pages 5 through 12, 58 through 63, 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.

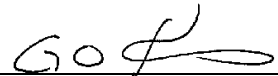
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019 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 30, 2019 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 30, 2019

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, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2019, total net position of Lebanon Community School District No. 9 amounted to \$(23,005,065). Of this amount, \$(4,752,268) was invested in capital assets, net of related debt. The remaining balance included \$2,723,987 restricted for various purposes and \$(20,976,784) of unrestricted net position.
- At June 30, 2019, the District's governmental funds reported combined ending fund balances of \$7,041,945.

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 a 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).

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.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 13 through 15 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 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 16 through 19 of this report.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

□ Proprietary Funds

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

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the enterprise fund to account for its vocational housing construction operation.

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 20 through 22 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 23 through 57 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, schedules of the proportionate share of the net pension liability, OPEB RHIA benefit, and contributions, as well as the budgetary comparison information for the General and Special Revenue Funds. This required supplementary information can be found on pages 58 through 63 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 64 through 66 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. At June 30, 2019, the District's liabilities exceeded its assets by \$23,005,065.

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.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$3,342,184 during the current fiscal year. Condensed statement of net position information is shown below.

Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 11,069,941	\$ 12,477,363	\$ 218,642	\$ 160,092	\$ 11,288,583	\$ 12,637,455
Restricted assets	1,570,560	1,506,092	-	-	1,570,560	1,506,092
Capital assets, net	<u>35,838,069</u>	<u>36,955,499</u>	<u>-</u>	<u>-</u>	<u>35,838,069</u>	<u>36,955,499</u>
Total assets	<u>48,478,570</u>	<u>50,938,954</u>	<u>218,642</u>	<u>160,092</u>	<u>48,697,212</u>	<u>51,099,046</u>
Deferred outflows of resources	<u>18,462,414</u>	<u>14,693,178</u>	<u>-</u>	<u>-</u>	<u>18,462,414</u>	<u>14,693,178</u>
Liabilities						
Current liabilities	5,779,245	5,480,034	16,941	91	5,796,186	5,480,125
Noncurrent liabilities	<u>79,865,861</u>	<u>76,327,272</u>	<u>-</u>	<u>-</u>	<u>79,865,861</u>	<u>76,327,272</u>
Total liabilities	<u>85,645,106</u>	<u>81,807,306</u>	<u>16,941</u>	<u>91</u>	<u>85,662,047</u>	<u>81,807,397</u>
Deferred inflows of resources	<u>4,502,644</u>	<u>3,647,708</u>	<u>-</u>	<u>-</u>	<u>4,502,644</u>	<u>3,647,708</u>
Net position						
Net investment in capital assets	(4,752,268)	(5,713,181)	-	-	(4,752,268)	(5,713,181)
Restricted for various purposes	2,723,987	2,452,124	-	-	2,723,987	2,452,124
Unrestricted	<u>(21,178,485)</u>	<u>(16,561,825)</u>	<u>201,701</u>	<u>160,001</u>	<u>(20,976,784)</u>	<u>(16,401,824)</u>
Total net position (deficit)	<u>\$ (23,206,766)</u>	<u>\$ (19,822,882)</u>	<u>\$ 201,701</u>	<u>\$ 160,001</u>	<u>\$ (23,005,065)</u>	<u>\$ (19,662,881)</u>

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		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Program revenues						
Charges for services	\$ 320,221	\$ 388,573	\$ -	\$ -	\$ 320,221	\$ 388,573
Operating grants and contributions	6,678,100	5,861,524	1,700	-	6,679,800	5,861,524
Total program revenues	6,998,321	6,250,097	1,700	-	7,000,021	6,250,097
General revenues						
Taxes	13,821,417	13,413,859	-	-	13,821,417	13,413,859
State school fund - general support	28,346,284	29,662,765	-	-	28,346,284	29,662,765
Common school fund	437,082	410,848	-	-	437,082	410,848
Unrestricted state and local revenue	828,625	167,068	-	-	828,625	167,068
Unrestricted grants and contributions	-	353,664	-	-	-	353,664
Investment earnings	399,609	366,737	-	-	399,609	366,737
Miscellaneous	566,226	449,929	-	1	566,226	449,930
Total general revenues	44,399,243	44,824,870	-	1	44,399,243	44,824,871
Total revenues	51,397,564	51,074,967	1,700	1	51,399,264	51,074,968
Program expenses						
Instruction	31,021,307	27,646,917	-	-	31,021,307	27,646,917
Support Services	17,813,498	17,459,744	-	-	17,813,498	17,459,744
Enterprise and community services	2,037,535	1,800,197	-	-	2,037,535	1,800,197
Facilities acquisition and construction	69,983	-	-	-	69,983	-
Unallocated depreciation expense	1,935,725	1,840,394	-	-	1,935,725	1,840,394
Interest on long-term debt	1,863,400	1,943,822	-	-	1,863,400	1,943,822
House construction	-	-	-	-	-	-
Total program expenses	54,741,448	50,691,074	-	-	54,741,448	50,691,074
Transfers	(40,000)	(80,000)	40,000	80,000	-	-
Change in net position	(3,383,884)	303,893	41,700	80,001	(3,342,184)	383,894
Net position - beginning of year	(19,822,882)	(20,126,775)	160,001	80,000	(19,662,881)	(20,046,775)
Net position - end of year	<u>\$ (23,206,766)</u>	<u>\$ (19,822,882)</u>	<u>\$ 201,701</u>	<u>\$ 160,001</u>	<u>\$ (23,005,065)</u>	<u>\$ (19,662,881)</u>

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 86% of the funding required for governmental programs.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Property taxes and state school funding combined for 95% of general revenues and 82% 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	\$ 78,219
• Various student extracurricular activities	<u>242,002</u>
Total charges for services	<u>\$ 320,221</u>

Operating grants and contributions represent 13% of total revenues. Included in this category are \$6,677,485 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 57% of the total expenses of \$54,741,448. In addition, approximately 33% 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 \$7,041,945. Of this amount, \$2,126,602 constitutes unassigned fund balance, which is available for spending at the District's discretion. 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 \$2,126,602, all of which was unassigned.

Proprietary Fund

The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the proprietary funds at year-end amounted to \$201,701, all of which is considered to be unrestricted.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and three approved appropriation changes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2019 amounted to \$35,838,069, 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 \$1,935,721.

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

Additional information on the District's capital assets can be found on pages 34 through 35 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total debt outstanding of \$38,100,000. This amount is comprised of general obligation bonds and qualified school construction bonds. The District's total debt outstanding decreased by \$1,920,000 during the current fiscal year.

Additional information on the District's long-term debt can be found on pages 36 through 38 of this report.

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:

- Maintaining staffing levels at the current level for the 2019-2021 biennium is not an option given increasing PERS contributions and increase in salary costs. The 2019-20 budget includes a small reduction in staffing. All reductions are expected to be made through attrition and reassignment.
- Staffing at schools has been adjust from 23:1 to 25:1. The goal is still to maximize resources to classrooms.

All of these factors were considered in preparing the District's budget for fiscal year 2019-2020.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

The unassigned ending General Fund balance of \$2,126,602 will be available for program resources in fiscal year 2019-2020.

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, 2019

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Sand Ridge Charter School
ASSETS				
Current assets				
Cash and cash equivalents	\$ 8,840,826	\$ -	\$ 8,840,826	\$ 390,188
Accounts receivable	1,381,760	20	1,381,780	3,473
Inventory	18,196	218,622	236,818	-
Property taxes receivable	501,795	-	501,795	-
Total current assets	10,742,577	218,642	10,961,219	393,661
Restricted assets				
Cash and cash equivalents	413,113	-	413,113	-
Cash with bond agent	962,970	-	962,970	-
Property taxes receivable	194,477	-	194,477	-
Total restricted assets	1,570,560	-	1,570,560	-
Net OPEB RHIA benefit	211,038	-	211,038	-
Net OPEB medical benefit	116,326	-	116,326	-
Capital assets not being depreciated	1,491,147	-	1,491,147	-
Capital assets, net of accumulated depreciation	34,346,922	-	34,346,922	35,279
Total assets	48,478,570	218,642	48,697,212	428,940
DEFERRED OUTFLOWS OF RESOURCES	18,462,414	-	18,462,414	857,292
LIABILITIES				
Current liabilities				
Book overdraft	-	16,879	16,879	-
Accounts payable	305,382	62	305,444	36,753
Payroll liabilities	3,113,580	-	3,113,580	-
Accrued interest	90,120	-	90,120	-
Compensated absences	180,163	-	180,163	-
Long-term liabilities, current portion	2,090,000	-	2,090,000	-
Total current liabilities	5,779,245	16,941	5,796,186	36,753
Noncurrent liabilities				
Net pension liability - PERS	41,328,208	-	41,328,208	1,895,693
Net early retirement stipend liability	37,316	-	37,316	-
Long-term liabilities, less current portion	38,500,337	-	38,500,337	-
Total long-term liabilities	79,865,861	-	79,865,861	1,895,693
Total liabilities	85,645,106	16,941	85,662,047	1,932,446

(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, 2019

(Continued)

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Sand Ridge Charter School
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	\$ 135,167	\$ -	\$ 135,167	\$ -
Deferred inflows relating to pensions	<u>4,367,477</u>	<u>-</u>	<u>4,367,477</u>	<u>158,539</u>
Total deferred inflows of resources	<u>4,502,644</u>	<u>-</u>	<u>4,502,644</u>	<u>158,539</u>
NET POSITION				
Net investment in capital assets	(4,752,268)	-	(4,752,268)	35,279
Restricted for:				
Student activities	564,102	-	564,102	-
Debt service	1,392,753	-	1,392,753	-
Energy efficient improvements	181,167	-	181,167	-
Grant programs	585,965	-	585,965	-
Unrestricted	<u>(21,178,485)</u>	<u>201,701</u>	<u>(20,976,784)</u>	<u>(840,032)</u>
Total net position	<u>\$ (23,206,766)</u>	<u>\$ 201,701</u>	<u>\$ (23,005,065)</u>	<u>\$ (804,753)</u>

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, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues		Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	Sand Ridge Charter School
Primary government							
Governmental activities							
Instruction	\$ 31,021,307	\$ 238,076	\$ 4,685,754	\$ (26,097,477)	\$ -	\$ (26,097,477)	\$ -
Support services	17,813,498	3,926	183,304	(17,626,268)	-	(17,626,268)	-
Enterprise and community services	2,037,535	78,219	1,809,042	(150,274)	-	(150,274)	-
Facilities acquisition and construction	69,983	-	-	(69,983)	-	(69,983)	-
Unallocated depreciation expense	1,935,725	-	-	(1,935,725)	-	(1,935,725)	-
Interest on long-term debt	1,863,400	-	-	(1,863,400)	-	(1,863,400)	-
Total governmental activities	\$ 54,741,448	\$ 320,221	\$ 6,678,100	(47,743,127)	-	(47,743,127)	-
Business-Type activities							
House construction	\$ -	\$ -	\$ 1,700	-	1,700	1,700	-
Component unit							
Governmental activities	\$ 2,386,138	\$ 175,621	\$ -	-	-	-	(2,210,517)
General revenues							
Property taxes levied for general purposes				10,187,658	-	10,187,658	-
Property taxes levied for debt service				3,633,759	-	3,633,759	-
State school fund - general support				28,346,284	-	28,346,284	2,159,564
Common school fund				437,082	-	437,082	-
Unrestricted state and local revenue				828,625	-	828,625	-
Unrestricted grants and contributions				-	-	-	-
Investment earnings				399,609	-	399,609	-
Miscellaneous				566,226	-	566,226	9,710
Total general revenues				44,399,243	-	44,399,243	2,169,274
Transfers				(40,000)	40,000	-	-
Change in net position				(3,383,884)	41,700	(3,342,184)	(41,243)
Net position - beginning				(19,822,882)	160,001	(19,662,881)	(763,510)
Net position - ending				\$ (23,206,766)	\$ 201,701	\$ (23,005,065)	\$ (804,753)

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, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,051,879	\$ 3,671,329	\$ 413,113	\$ 9,136,321
Accounts receivable	254,341	1,127,419	-	1,381,760
Property taxes receivable	501,795	-	194,477	696,272
Supply inventory	<u>-</u>	<u>18,196</u>	<u>-</u>	<u>18,196</u>
Total assets	<u>\$ 5,808,015</u>	<u>\$ 4,816,944</u>	<u>\$ 607,590</u>	<u>\$ 11,232,549</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 109,164	\$ 196,217	\$ -	\$ 305,381
Accrued liabilities	<u>3,113,580</u>	<u>-</u>	<u>-</u>	<u>3,113,580</u>
Total liabilities	<u>3,222,744</u>	<u>196,217</u>	<u>-</u>	<u>3,418,961</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	458,669	-	177,807	636,476
Unearned revenue - grant proceeds	<u>-</u>	<u>135,167</u>	<u>-</u>	<u>135,167</u>
Total deferred inflows of resources	<u>458,669</u>	<u>135,167</u>	<u>177,807</u>	<u>771,643</u>
Fund balances				
Nonspendable	-	18,196	-	18,196
Restricted	-	1,331,234	429,783	1,761,017
Assigned	-	3,136,130	-	3,136,130
Unassigned	<u>2,126,602</u>	<u>-</u>	<u>-</u>	<u>2,126,602</u>
Total fund balances	<u>2,126,602</u>	<u>4,485,560</u>	<u>429,783</u>	<u>7,041,945</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,808,015</u>	<u>\$ 4,816,944</u>	<u>\$ 607,590</u>	<u>\$ 11,232,549</u>

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, 2019

Total fund balances		\$ 7,041,945
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	102,842,663	
Accumulated depreciation	<u>(67,004,594)</u>	35,838,069
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.		636,476
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	18,462,414	
Deferred inflows of resources relating to PERS	<u>(4,367,477)</u>	14,094,937
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	962,970	
Net OPEB RHIA benefit	211,038	
Net OPEB medical benefit	<u>116,326</u>	1,290,334
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.		117,617
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	(180,163)	
Net pension liability - PERS	(41,328,208)	
Net early retirement stipend liability	(37,316)	
Bond premiums	(2,490,337)	
Bonds payable	<u>(38,100,000)</u>	<u>(82,226,144)</u>
Net position of governmental activities		<u>\$ (23,206,766)</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, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Local revenue	\$ 10,930,974	\$ 1,546,625	\$ 3,800,099	\$ 16,277,698
Intermediate revenue	180,556	62,718	-	243,274
State revenue	29,390,162	1,018,255	-	30,408,417
Federal revenue	287,086	4,334,163	-	4,621,249
	<u>40,788,778</u>	<u>6,961,761</u>	<u>3,800,099</u>	<u>51,550,638</u>
EXPENDITURES				
Current				
Instruction	25,630,830	3,743,181	-	29,374,011
Support services	15,689,908	1,910,944	-	17,600,852
Community services	-	2,022,335	-	2,022,335
Facilities acquisition and construction	-	178,131	-	178,131
Debt service	-	-	4,019,472	4,019,472
	<u>41,320,738</u>	<u>7,854,591</u>	<u>4,019,472</u>	<u>53,194,801</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(531,960)</u>	<u>(892,830)</u>	<u>(219,373)</u>	<u>(1,644,163)</u>
OTHER FINANCING SOURCES (USES)				
Debt subsidy rebate	-	-	91,085	91,085
Proceeds from the sale of assets	8,220	542	-	8,762
Transfers in	8,029	2,406,000	297,713	2,711,742
Transfers out	(2,621,000)	(155,742)	-	(2,776,742)
	<u>(2,604,751)</u>	<u>2,250,800</u>	<u>388,798</u>	<u>34,847</u>
Net change in fund balances	(3,136,711)	1,357,970	169,425	(1,609,316)
Fund balances - beginning	<u>5,263,313</u>	<u>3,127,590</u>	<u>260,358</u>	<u>8,651,261</u>
Fund balances - ending	<u>\$ 2,126,602</u>	<u>\$ 4,485,560</u>	<u>\$ 429,783</u>	<u>\$ 7,041,945</u>

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, 2019

Net change in fund balances	\$ (1,609,316)
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Amounts reported for governmental activities in the statement of activities are different because:

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.

Expenditures for capital assets	913,330	
Disposal of capital assets, net	(95,035)	
Less current year depreciation	<u>(1,935,725)</u>	(1,117,430)

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.

77,729

Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Amortization of issuance premium	158,343	
Debt principal paid	<u>1,920,000</u>	2,078,343

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.

(30,577)

Pension and OPEB 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,

(2,624,747)

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.

(157,886)

Change in net position	<u><u>\$ (3,383,884)</u></u>
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The accompanying notes are an integral part of these financial statements.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2019

	Business-Type Activity	Internal Service Fund
	Enterprise Fund	Insurance
ASSETS		
Cash and cash equivalents	\$ -	\$ 117,618
Accounts receivable	20	-
Work in process	<u>218,622</u>	<u>-</u>
Total assets	<u>218,642</u>	<u>117,618</u>
LIABILITIES		
Book overdraft	16,879	-
Accounts payable	<u>62</u>	<u>1</u>
Total liabilities	<u>16,941</u>	<u>1</u>
NET POSITION		
Unrestricted	<u>\$ 201,701</u>	<u>\$ 117,617</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 FUNDS

For the Year Ended June 30, 2019

	Business-Type Activity <u>Enterprise Fund</u>	Internal Service Fund <u>Insurance</u>
Operating revenues		
Grant revenue	\$ 1,700	\$ -
Operating expenses		
Support services	-	55,577
Total operating expenses	-	55,577
Operating income (loss)	1,700	(55,577)
Nonoperating revenues (expenses)		
Transfers in	40,000	25,000
Change in net position	41,700	(30,577)
Net position - beginning	160,001	148,194
Net position- ending	<u>\$ 201,701</u>	<u>\$ 117,617</u>

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

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2019

	Business-Type Activity <u>Enterprise Fund</u>	Internal Service Fund <u>Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from grants	\$ 1,700	\$ -
Payments to employees	<u>(90,441)</u>	<u>(55,576)</u>
Net cash provided (used) by operating activities	<u>(88,741)</u>	<u>(55,576)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers in	<u>40,000</u>	<u>25,000</u>
Net cash provided (used) by financing activities	<u>40,000</u>	<u>25,000</u>
Net increase (decrease) in cash and cash equivalents	(48,741)	(30,576)
Cash and cash equivalents - beginning	<u>48,741</u>	<u>148,194</u>
Cash and cash equivalents - ending	<u><u>\$ -</u></u>	<u><u>\$ 117,618</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 1,700	\$ (55,577)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in:		
Accounts receivable	(20)	-
Work in process inventory	(107,271)	-
Increase (decrease) in:		
Book overdraft	16,879	-
Accounts payable	<u>(29)</u>	<u>1</u>
Net cash provided (used) by operating activities	<u><u>\$ (88,741)</u></u>	<u><u>\$ (55,576)</u></u>

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, 2019

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. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely on fees and charges to external customers for support.

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, while the business-type activities incorporate data from the enterprise fund. Separate financial statements are provided for all governmental and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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 and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise 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 funds:

Enterprise Fund – The Enterprise Fund is used to account for funds used to construct and sell homes through the vocational education program. The primary source of revenue is sales of finished goods.

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.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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 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 measureable 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 measureable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The District did not implement the most current accounting guidance: GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which are GAAP departures. If the District reported in accordance with the most recent GASB requirements, reported results may differ from those currently presented.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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, enterprise 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 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 and three approved appropriation changes.

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.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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.

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.

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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 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.

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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.

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.

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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.

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. 72, Fair Value Measurement and Application, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value.

The District participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company.

The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments.

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The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report (CAFR). A copy of the State's CAFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- *Level 1* – Unadjusted quoted prices for identical investments in active markets.
- *Level 2* – Observable inputs other than quoted market prices; and,
- *Level 3* – Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2019.

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	<u>Level 2</u>
Investments	
LGIP	<u>\$ 7,882,765</u>

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.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Investments

As of June 30, 2019, the District had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 7,882,765</u>

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.

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 Umpqua Bank and Well Fargo Bank, for which deposits are insured by the FDIC insurance up to \$250,000. At June 30, 2019, the District's had deposits of \$250,000 insured by the FDIC, and \$1,092,860 collateralized under the PFCP.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Deposits

The District's deposits and investments at June 30, 2019 are as follows:

Checking accounts	\$ 1,354,295
Total investments	<u>7,882,765</u>
Total deposits and investments	<u><u>\$ 9,237,060</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 5,051,879
Special Revenue Fund	3,671,329
Internal service fund - Insurance Fund	<u>117,618</u>
Total governmental activities - unrestricted	8,840,826
Business-type activities - unrestricted	
Enterprise Fund (book overdraft)	<u>(16,879)</u>
Governmental activities - restricted	
Debt Service Fund	<u>413,113</u>
Total cash and investments	<u><u>\$ 9,237,060</u></u>

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

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

June 30, 2019

B. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,411,570	\$ -	\$ -	\$ 1,411,570
Construction in progress	<u>-</u>	<u>79,577</u>	<u>-</u>	<u>79,577</u>
Total capital assets not being depreciated	<u>1,411,570</u>	<u>79,577</u>	<u>-</u>	<u>1,491,147</u>
Capital assets being depreciated				
Buildings and improvements	93,468,396	320,232	-	93,788,628
Equipment and vehicles	<u>7,290,232</u>	<u>513,521</u>	<u>(240,865)</u>	<u>7,562,888</u>
Total capital assets being depreciated	<u>100,758,628</u>	<u>833,753</u>	<u>(240,865)</u>	<u>101,351,516</u>
Less accumulated depreciation for				
Buildings and improvements	(60,370,596)	(1,541,960)	-	(61,912,556)
Equipment and vehicles	<u>(4,844,107)</u>	<u>(393,761)</u>	<u>145,830</u>	<u>(5,092,038)</u>
Total accumulated depreciation	<u>(65,214,703)</u>	<u>(1,935,721)</u>	<u>145,830</u>	<u>(67,004,594)</u>
Total capital assets being depreciated, net	<u>35,543,925</u>	<u>(1,101,968)</u>	<u>(95,035)</u>	<u>34,346,922</u>
Governmental activities capital assets, net	<u>\$ 36,955,495</u>	<u>\$ (1,022,391)</u>	<u>\$ (95,035)</u>	<u>\$ 35,838,069</u>

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
Construction in progress	79,577	-	79,577
Buildings and improvements	93,788,628	(61,912,556)	31,876,072
Equipment and vehicles	<u>7,562,888</u>	<u>(5,092,038)</u>	<u>2,470,850</u>
Total governmental capital assets	<u>\$ 102,842,663</u>	<u>\$ (67,004,594)</u>	<u>\$ 35,838,069</u>

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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:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 1,411,570	\$ -	\$ 1,411,570
Construction in progress	79,577	-	79,577
Buildings and improvements	93,788,628	(61,912,556)	31,876,072
Equipment and vehicles	<u>7,562,888</u>	<u>(5,092,038)</u>	<u>2,470,850</u>
Total governmental capital assets	<u>\$ 102,842,663</u>	<u>\$ (67,004,594)</u>	<u>\$ 35,838,069</u>

C. Interfund Transfers

Interfund transfers during the year consisted of:

	Transfers in:				
	General Fund	Special Revenue Fund	Debt Service Fund	Enterprise Fund	Internal Service Fund
Transfers out:					
General Fund	\$ -	\$ 2,406,000	\$ 150,000	\$ 40,000	\$ 25,000
Special Revenue Fund	<u>8,029</u>	<u>-</u>	<u>147,713</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,029</u>	<u>\$ 2,406,000</u>	<u>\$ 297,713</u>	<u>\$ 40,000</u>	<u>\$ 25,000</u>
					<u>\$ 2,776,742</u>

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

D. Compensated Absences

The following is a summary of compensated absences balances for the year:

	Beginning Balance	Additions	Reductions	Ending Balance
Net compensated absences	<u>\$ 180,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,163</u>

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

June 30, 2019

E. 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	\$ 16,660,000	\$ -	\$ 735,000	\$ 15,925,000	\$ 805,000
Series 2011 refunding	2-5%	27,630,000	21,465,000	-	1,185,000	20,280,000	1,285,000
Premium - 2005 refunding		2,013,612	1,693,819	-	88,836	1,604,983	-
Premium - 2011 refunding		<u>1,259,036</u>	<u>954,861</u>	<u>-</u>	<u>69,507</u>	<u>885,354</u>	<u>-</u>
Total general obligation bonds		50,417,648	40,773,680	-	2,078,343	38,695,337	2,090,000
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>\$ 42,668,680</u>	<u>\$ -</u>	<u>\$ 2,078,343</u>	<u>\$ 40,590,337</u>	<u>\$ 2,090,000</u>

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.

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

June 30, 2019

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, which are pledged as collateral. The agreement requires annual cash deposits to a sinking fund in the amount of \$126,333 to fund the only payment of \$1,895,000 in 2026. The agreement contains an event of default; if the District is unable to make payments, the entire principal balance and any accrued unpaid interest may become immediately due.

6. 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 2019) ⁽¹⁾	\$	3,278,116,108
Debt Capacity		
General Obligation Debt Capacity (7.95% of Real Market Value)	\$	260,610,231
Less: Outstanding Debt Subject to Limit		<u>(36,205,000)</u>
Remaining General Obligation Debt Capacity	\$	224,405,231
Percent of Capacity Issued		13.89%

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.

⁽¹⁾ Represents voter-approved, unlimited-tax general obligations of the District.

7. Interest Expense

Interest expense was not charged to specific functions or programs of the District. Interest expense for the year ended June 30, 2019 was \$1,863,400.

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

June 30, 2019

8. Future Maturities of Long-Term Liabilities

Year Ending June 30	Bonds		
	Principal	Interest	Total
2020	\$ 2,090,000	\$ 1,900,201	\$ 3,990,201
2021	2,295,000	1,795,702	4,090,702
2022	2,495,000	1,694,839	4,189,839
2023	2,725,000	1,567,153	4,292,153
2024	2,970,000	1,427,851	4,397,851
2025-2029	20,785,000	4,472,160	25,257,160
2030	4,740,000	247,650	4,987,650
Total	<u>\$ 38,100,000</u>	<u>\$ 13,105,556</u>	<u>\$ 51,205,556</u>

F. 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	\$ -	\$ 18,196	\$ -	\$ 18,196
Restricted for:				
Debt service	-	-	429,783	429,783
Energy efficient improvements	-	181,167	-	181,167
Student activities	-	564,102	-	564,102
School nutrition programs	-	507,652	-	507,652
Grant programs	-	78,313	-	78,313
Assigned to:				
Bus replacement	-	110,621	-	110,621
Textbooks	-	407,061	-	407,061
Track and turf replacement	-	128,953	-	128,953
Athletics	-	2,540	-	2,540
PERS reserve	-	1,675,000	-	1,675,000
Academic achievement support	-	18,650	-	18,650
Technology purchases	-	245,181	-	245,181
Classroom furniture	-	18,119	-	18,119
Capital additions	-	530,005	-	530,005
Unassigned	2,126,602	-	-	2,126,602
Total fund balances	<u>\$ 2,126,602</u>	<u>\$ 4,485,560</u>	<u>\$ 429,783</u>	<u>\$ 7,041,945</u>

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

June 30, 2019

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Noncompliance with Oregon Minimum Standards

1. The District expended funds in excess of amounts appropriated as follows:

<u>Fund</u>	<u>Category</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue	Facilities acquisition	\$ -	\$ 178,131	\$ 178,131

2. The District did not solicit and retain adequate quotes for one public contract, which is in violation of public contracts and purchasing requirements.

IV. 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

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.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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-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, in accordance with *Moro* decision.

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

June 30, 2019

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.

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, in accordance with *Moro* decision.

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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, 2015 actuarial valuation, which became effective July 1, 2017. 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, 2019 were \$6,452,727.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: <https://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Oregon PERS and additions to/deductions from Oregon PERS' fiduciary net position have been determined on the same basis as they are reported by Oregon 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.

Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019, 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.

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Actuarial Methods and Assumptions:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study	2016, published July 26, 2017
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, 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 (70% for males, 95% for females) of the RP-2000 sex distinct, generational per scale BB, disabled mortality 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.

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Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2016 Experience Study, which reviewed experience for the four-year period ended December 31, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent. 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

Assumed Asset Allocation

<u>Asset Class</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%

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Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

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

At June 30, 2019, the District reported a liability of \$41,328,208 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018 the District's proportion was 0.27281717%.

For the year ended June 30, 2019, the District recognized pension expense of \$7,739,499. At June 30, 2019, 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	\$ 1,405,862	\$ -
Changes of assumptions	9,608,730	-
Net difference between project and actual earnings on investments	-	(1,835,206)
Changes in proportionate share	734,023	(2,390,593)
Differences between employer contributions and employer's proportionate share of system contributions	1,609,680	(83,403)
Total (prior to post-MD contributions)	13,358,295	(4,309,202)
Contributions subsequent to the MD	5,006,039	-
Total	\$ 18,364,334	\$ (4,309,202)

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, 2019.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2020	\$ 4,847,397
2021	3,349,616
2022	(261,454)
2023	811,373
2024	302,161

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

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

1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
\$ 69,067,243	\$ 41,328,208	\$ 18,431,905

Changes Subsequent to the Measurement Date

We are not aware of any changes subsequent to the June 30, 2018 measurement date that meet this requirement and thus would require a brief description under GASB standard.

C. Other Post-Employment Benefits (GASB 75) RHIA - Oregon PERS Plan

1. Oregon Public Employees Retirement System (PERS) Retirement Health Insurance Account (RHIA) Other Post-Employment Benefit (OPEB) Plan (the Plan)

General Information about the OPEB Plan

Name of OPEB Plan

The Oregon PERS RHIA consists of a single cost-sharing multiple-employer defined benefit OPEB plan.

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Description of Benefit Terms

Plan Benefits – PERS RHIA (Chapter 238)

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A, and the Internal Revenue Code Section 401(a).

OPEB Membership

The ORS Chapter 238 Defined Benefit OPEB Plan is closed to new members hired on or after August 29, 2003. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (C) enroll in a PERS-sponsored health plan.

As of June 30, 2018, the inactive RHIA plan participants currently receiving benefits totaled 46,033, and there were 56,200 active and 15,215 inactive members who meet the requirements to receive RHIA benefits when they retire.

Basis of Accounting

Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements.

Consistent with GASB Statement No. 75, paragraph 59(a), employer proportions are determined as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined.

Contributions

Employer contributions for the year ended June 30, 2019 were \$264,857.

OPEB RHIA Plan Comprehensive Annual Financial Report (CAFR)

All assumptions, methods, and plan provisions used in these calculations are described in the Oregon PERS RHIA Cost-Sharing Multiple-Employer OPEB Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the year ended June 30, 2018. That independently audited report was dated March 1, 2019 and can be found at:

<https://www.oregon.gov/pers/EMP/Documents/GASB/2019/GASB-75-RHIA-YE-06-30-2018.pdf>

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Proportionate Share Allocation Methodology

The basis for the employer's proportion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. If the employer did not make contributions during the fiscal year, their proportionate share will be set to zero and the employer will be allocated no proportionate share of the OPEB amounts.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study	2016, published July 26, 2017
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Retiree healthcare participation	Healthy retirees: 38%; disabled retirees: 20%
Mortality	<p>Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, 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 (70% for males, 95% for females) of the RP-2000 sex distinct, generational per scale BB, disabled mortality table.</p>

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Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2016 Experience Study, which reviewed experience for the four-year period ended December 31, 2016.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2018 was 7.20. 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 RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

Depletion Date Projection

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses.

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OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported an asset of \$211,038 for its proportionate share of the OPEB asset. The OPEB asset was measured at June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date.

The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018 the District's proportion was 0.18905658%.

For the year ended June 30, 2019, the District recognized an OPEB credit of \$19,691. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (11,960)
Changes of assumptions	-	(670)
Net difference between project and actual earnings on investments	-	(45,499)
Changes in proportionate share	321	(165)
Total (prior to post-MD contributions)	321	(58,294)
Contributions subsequent to the MD	97,759	-
Total	<u>\$ 98,080</u>	<u>\$ (58,294)</u>

Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period.

Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service life determined as of the beginning of the June 30, 2018 measurement period is 3.3 years.

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2019.

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Other amounts reported by the District as deferred outflows or inflows of resources related to OPEB will be recognized in OPEB expense in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2020	\$ (19,033)
2021	(19,090)
2022	(15,327)
2023	(4,523)
2024	-

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

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

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

1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
\$ (122,877)	\$ (211,038)	\$ (286,082)

Changes Subsequent to the Measurement Date

We are not aware of any changes subsequent to the June 30, 2018 measurement date that meet this requirement and thus would require a brief description under GASB standard.

D. 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.

1. 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.

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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 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, 2017, 2018 and 2019 were \$38,346, \$17,412, and \$17,904, respectively.

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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. This calculation is a GAAP departure as described in Note I. 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.

	2019	2018	2017
Employer's normal cost	\$ -	\$ -	\$ -
Interest on net pension obligation	-	-	-
One year's amortization of AAL with interest	<u>93,039</u>	<u>95,597</u>	<u>49,584</u>
Annual Required Contribution (ARC)	93,039	95,597	49,584
Less contributions (amounts paid by the District during year for stipends)	<u>(17,904)</u>	<u>(17,412)</u>	<u>(38,346)</u>
Contribution deficiency (ARC less current year payments)	75,135	78,185	11,238
Net pension obligation (benefit) at beginning of year	<u>(37,819)</u>	<u>(116,004)</u>	<u>(127,242)</u>
Pension obligation (benefit) at end of year	<u>\$ 37,316</u>	<u>\$ (37,819)</u>	<u>\$ (116,004)</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.

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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.

E. 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, 2015, the actuarial accrued liability (AAL) for benefits was \$966,329, and the actuarial value of assets was \$0, resulting in an unfunded accrued liability (UAAL) of \$966,329 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.

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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. This calculation is a GAAP departure as described in Note I.

	2019	2018	2017
Annual Required Contribution (ARC)	\$ 34,400	\$ 54,408	\$ 316,157
Interest on net OPEB obligation	(1,032)	(1,632)	(1,916)
Adjustment to ARC for net OPEB obligation	-	-	-
Annual OPEB cost	33,368	52,776	314,241
Less contributions (amounts paid by the District during year for OPEB)	(120,562)	(145,118)	(198,821)
Increase (decrease) in net OPEB obligation	(87,194)	(92,342)	115,420
OPEB obligation at beginning of year	(29,132)	63,210	(52,210)
OPEB obligation (benefit) at end of year	<u>\$ (116,326)</u>	<u>\$ (29,132)</u>	<u>\$ 63,210</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.

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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.

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, 2017, 2018, and 2019, the General Fund recognized (assets) liabilities of \$115,420, \$(92,342), and \$(87,194) respectively, for post-retirement health benefits. For the years ended June 30, 2017, 2018, and 2019, 63.27%, 36.37%, and 27.68%, respectively, of the annual OPEB costs were contributed by the District.

F. Concentrations

1. Collective Bargaining Agreement

At June 30, 2019, the District had approximately 619 employees who were accounted for under the governmental activities of the District. Of this total, 252 are certified staff represented by a union, 342 are classified staff, 3 are confidential staff, 18 are administrative staff, and 4 are miscellaneous staff covered by respective collective bargaining agreements. The existing agreements expired on June 30, 2019.

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G. Tax Abatement

Linn County has established an enterprise zone under ORS 285C that abates property taxes on properties within the enterprise zone. As a result, the property taxes that the District will receive for the 2016-2017 levy year has been reduced by \$214,284.

H. New Pronouncements

For the fiscal year ended June 30, 2019, the District implemented the following new accounting standards:

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements* – This statement addresses the information that is disclosed in the notes to government financial statements related to debt, including borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The District will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the following pronouncements:

GASB Statement No. 84, *Fiduciary Activities* – This statement established criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds. The statement is effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, *Leases* – This statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The statement is effective for fiscal years beginning after December 15, 2019.

I. Subsequent Events

Management has evaluated subsequent events through December 30, 2019, 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
2017	49,584	77.34%	11,238
2018	95,597	18.21%	78,185
2019	93,039	19.24%	75,135
			<u>\$ 37,316</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
2017	314,241	63.27%	115,420
2018	52,776	36.37%	(92,342)
2019	33,368	27.68%	(87,194)
			<u>\$ (116,326)</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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.27281717%	0.26393540%	0.27550889%	0.00677444%	0.36335169%
District's proportionate share of the net pension liability (asset)	\$ 41,328,208	\$ 35,578,592	\$ 41,360,281	\$ 19,039,703	\$ (8,236,146)
District's covered-employee payroll	\$ 19,844,333	\$ 17,590,007	\$ 16,031,072	\$ 16,214,823	\$ 17,185,736
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	208%	202%	258%	117%	-48%
Plan fiduciary net position as a percentage of the total pension liability	82%	83%	81%	92%	104%

Schedule of District Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 6,452,727	\$ 5,979,757	\$ 4,963,690	\$ 4,637,109	\$ 3,344,918
Contributions in relation to the contractually required contribution	<u>(6,452,727)</u>	<u>(5,979,757)</u>	<u>(4,963,690)</u>	<u>(4,637,109)</u>	<u>(3,344,918)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 21,486,185	\$ 19,595,401	\$ 19,237,669	\$ 17,568,345	\$ 17,185,736
Contributions as a percentage of covered-employee payroll	30%	31%	26%	26%	19%

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
OTHER POST EMPLOYMENT BENEFITS AND DISTRICT CONTRIBUTIONS

OREGON PERS SYSTEM RHIA

Schedule of the District's Proportionate Share of the Other Poste Employment Benefits

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the OPEB liability (asset)	0.18905658%	0.18799718%	0.18542451%
District's proportionate share of the OPEB liability (asset)	\$ (211,038)	\$ (78,459)	\$ 50,354
District's covered-employee payroll	\$ 19,844,333	\$ 17,590,007	\$ 16,031,072
District's proportionate share of the OPEB liability (asset) as a percentage of its covered-employee payroll	-1.06%	-0.45%	0.31%
Plan fiduciary net position as a percentage of the total OPEB liability	123.99%	108.88%	94.15%

Schedule of District Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 107,431	\$ 91,542	\$ 92,755
Contributions in relation to the contractually required contribution	<u>(107,431)</u>	<u>(91,542)</u>	<u>(92,755)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 21,486,185	\$ 19,595,401	\$ 19,237,669
Contributions as a percentage of covered-employee payroll	0.50%	0.47%	0.48%

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, 2019

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES				
Local revenue	\$ 11,150,000	\$ 11,135,000	\$ (204,026)	\$ 10,930,974
Intermediate revenue	175,000	175,000	5,556	180,556
State revenue	29,083,000	29,083,000	307,162	29,390,162
Federal revenue	65,000	65,000	222,086	287,086
Total revenues	40,473,000	40,458,000	330,778	40,788,778
EXPENDITURES				
Current				
Instruction	25,505,350	25,996,850	(366,020)	25,630,830
Support services	16,491,150	15,984,650	(294,742)	15,689,908
Debt service	500	500	(500)	-
Contingency	1,000,000	1,000,000	(1,000,000)	-
Total expenditures	42,997,000	42,982,000	(1,661,262)	41,320,738
Excess (deficiency) of revenues over (under) expenditures	(2,524,000)	(2,524,000)	1,992,040	(531,960)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	8,220	8,220
Transfers in	70,000	70,000	(61,971)	8,029
Transfers out	(2,621,000)	(2,621,000)	-	(2,621,000)
Total other financing sources (uses)	(2,551,000)	(2,551,000)	(53,751)	(2,604,751)
Net change in fund balance	(5,075,000)	(5,075,000)	1,938,289	(3,136,711)
Fund balance - beginning	5,075,000	5,075,000	188,313	5,263,313
Fund balance - ending	\$ -	\$ -	\$ 2,126,602	\$ 2,126,602

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, 2019

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES				
Local revenue	\$ 1,375,327	\$ 1,390,327	\$ 156,298	\$ 1,546,625
Intermediate revenue	255,000	255,000	(192,282)	62,718
State revenue	1,009,000	1,009,000	9,255	1,018,255
Federal revenue	<u>5,388,767</u>	<u>5,388,767</u>	<u>(1,054,604)</u>	<u>4,334,163</u>
Total revenues	<u>8,028,094</u>	<u>8,043,094</u>	<u>(1,081,333)</u>	<u>6,961,761</u>
EXPENDITURES				
Current				
Instruction	5,414,625	5,429,625	(1,686,444)	3,743,181
Support services	3,539,525	3,539,525	(1,628,581)	1,910,944
Community services	2,477,594	2,477,594	(455,259)	2,022,335
Facilities acquisition and construction	-	-	178,131	178,131
Contingency	<u>1,928,000</u>	<u>1,928,000</u>	<u>(1,928,000)</u>	<u>-</u>
Total expenditures	<u>13,359,744</u>	<u>13,374,744</u>	<u>(5,520,153)</u>	<u>7,854,591</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,331,650)</u>	<u>(5,331,650)</u>	<u>4,438,820</u>	<u>(892,830)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	10,000	10,000	(9,458)	542
Transfers in	2,416,000	2,416,000	(10,000)	2,406,000
Transfers out	<u>(320,000)</u>	<u>(320,000)</u>	<u>(164,258)</u>	<u>(155,742)</u>
Total other financing sources (uses)	<u>2,106,000</u>	<u>2,106,000</u>	<u>144,800</u>	<u>2,250,800</u>
Net change in fund balance	(3,225,650)	(3,225,650)	4,583,620	1,357,970
Fund balance - beginning	<u>3,225,650</u>	<u>3,225,650</u>	<u>(98,060)</u>	<u>3,127,590</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,485,560</u>	<u>\$ 4,485,560</u>

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, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Local revenue	\$ 3,666,770	\$ 133,329	\$ 3,800,099
EXPENDITURES			
Debt service	<u>4,326,770</u>	<u>(307,298)</u>	<u>4,019,472</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(660,000)</u>	<u>440,627</u>	<u>(219,373)</u>
OTHER FINANCING SOURCES (USES)			
Debt subsidy rebate	90,000	1,085	91,085
Transfers in	<u>390,000</u>	<u>(92,287)</u>	<u>297,713</u>
Total other financing sources (uses)	<u>480,000</u>	<u>(91,202)</u>	<u>388,798</u>
Net change in fund balance	(180,000)	349,425	169,425
Fund balance - beginning	<u>180,000</u>	<u>80,358</u>	<u>260,358</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 429,783</u></u>	<u><u>\$ 429,783</u></u>

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

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

ENTERPRISE FUND

For the Year Ended June 30, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Contributions	\$ 40,000	\$ (38,300)	\$ 1,700	\$ -	\$ 1,700
EXPENDITURES					
Current					
Instruction	580,000	(472,729)	107,271	(107,271)	-
Excess (deficiency) of revenues over (under) expenditures	(540,000)	434,429	(105,571)	107,271	1,700
OTHER FINANCING SOURCES (USES)					
Sale of assets	250,000	(250,000)	-	-	-
Transfers in	40,000	-	40,000	-	40,000
Total other financing sources (uses)	290,000	(250,000)	40,000	-	40,000
Net change in fund balance	(250,000)	184,429	(65,571)	107,271	41,700
Fund balance - beginning	250,000	(201,350)	48,650	111,351	160,001
Fund balance - ending	\$ -	\$ (16,921)	\$ (16,921)	\$ 218,622	\$ 201,701

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, 2019

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES	\$ -	\$ -	\$ -
EXPENSES			
Current			
Support services	<u>160,000</u>	<u>(104,423)</u>	<u>55,577</u>
Excess (deficiency) of revenues over (under) expenses	(160,000)	104,423	(55,577)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Change in net position	(135,000)	104,423	(30,577)
Net position - beginning	<u>135,000</u>	<u>13,194</u>	<u>148,194</u>
Net position - ending	<u><u>\$ -</u></u>	<u><u>\$ 117,617</u></u>	<u><u>\$ 117,617</u></u>

OTHER FINANCIAL SCHEDULES

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9

Lebanon, Oregon

REVENUE SUMMARY - ALL FUNDS

June 30, 2019

Revenue from Local Sources

	Fund 100	Fund 200	Fund 300	Fund 500	Fund 600
1110 Ad Valorem Taxes Levied by District	\$ 10,129,017.79	\$ -	\$ 3,782,008.08	\$ -	\$ -
1190 Penalties and Interest on Taxes	50,186.95	-	18,090.13	-	-
1500 Earnings on Investments	385,564.02	14,044.27	-	-	-
1600 Food Service	-	78,219.22	-	-	-
1700 Extracurricular Activities	-	888,894.65	-	-	-
1910 Rentals	3,926.00	-	-	-	-
1920 Contributions and Donations From Private Sources	400.00	214,236.05	-	1,700.00	-
1940 Services Provided Other Local Agencies	131,449.56	4,059.26	-	-	-
1960 Recovery of Prior Years' Expenditure	16,187.06	-	-	-	-
1990 Miscellaneous	214,212.25	347,756.24	-	-	-
Total Revenue from Local Sources	\$ 10,930,943.63	\$ 1,547,209.69	\$ 3,800,098.21	\$ 1,700.00	\$ -

Revenue from Intermediate Sources

	Fund 100	Fund 200	Fund 300	Fund 500	Fund 600
2200 Restricted Revenue	\$ 180,556.00	\$ 62,716.86	\$ -	\$ -	\$ -
Total Revenue from Intermediate Sources	\$ 180,556.00	\$ 62,716.86	\$ -	\$ -	\$ -

Revenue from State Sources

	Fund 100	Fund 200	Fund 300	Fund 500	Fund 600
3101 State School Fund - General Support	\$ 28,346,283.88	\$ -	\$ -	\$ -	\$ -
3103 Common School Fund	437,081.98	-	-	-	-
3104 State Managed County Timber	167,047.78	-	-	-	-
3199 Other Unrestricted Grants-in-Aid	439,748.03	-	-	-	-
3299 Other Restricted Grants-in-Aid	-	1,017,640.48	-	-	-
Total Revenue from State Sources	\$ 29,390,161.67	\$ 1,017,640.48	\$ -	\$ -	\$ -

Revenue from Federal Sources

	Fund 100	Fund 200	Fund 300	Fund 500	Fund 600
4200 Unrestricted Revenue From the Federal Government through the State	\$ 42,350.64	\$ -	\$ -	\$ -	\$ -
4300 Restricted Revenue From the Federal Government	65,257.14	-	-	-	-
4500 Restricted Revenue From the Federal Government Through the State	-	4,061,514.39	-	-	-
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies	-	135,373.70	-	-	-
4801 Federal Forest Fees	179,477.73	-	-	-	-
4900 Revenue for/on Behalf of the District	-	137,271.80	-	-	-
Total Revenue from Federal Sources	\$ 287,085.51	\$ 4,334,159.89	\$ -	\$ -	\$ -

Revenue from Other Sources

	Fund 100	Fund 200	Fund 300	Fund 500	Fund 600
5100 Long Term Debt Financing Sources	\$ -	\$ -	\$ 91,085.06	\$ -	\$ -
5200 Interfund Transfers	8,029.27	2,406,000.00	297,712.81	40,000.00	25,000.00
5300 Sale of assets	8,220.00	542.00	-	-	-
5400 Resources - Beginning Fund Balance	5,263,313.74	3,127,589.50	260,358.15	48,649.77	148,194.30
Total Revenue from Other Sources	\$ 5,279,563.01	\$ 5,534,131.50	\$ 649,156.02	\$ 88,649.77	\$ 173,194.30

Grand Totals

\$ 46,068,309.82	\$ 12,495,858.42	\$ 4,449,254.23	\$ 90,349.77	\$ 173,194.30
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LEBANON COMMUNITY SCHOOL DISTRICT NO. 9

Lebanon, Oregon

EXPENDITURE SUMMARY - GENERAL FUND

June 30, 2019

Instruction Expenditures

	Totals	Object 100	Object 200
1111 Elementary, K-5 or K-6	\$ 8,354,054.29	\$ 4,997,885.14	\$ 2,988,650.64
1113 Elementary Extracurricular	7,446.19	6,000.00	1,446.19
1121 Middle/Junior High Programs	3,428,720.01	2,037,222.64	1,261,192.60
1122 Middle/Junior High School Extracurricular	21,222.15	16,544.17	4,677.98
1131 High School Programs	5,176,233.14	3,021,088.51	1,720,815.35
1132 High School Extracurricular	80,094.06	57,297.00	21,772.07
1210 Programs for the Talented and Gifted	44,209.87	25,912.50	9,068.18
1220 Restrictive Programs for Students with Disabilities	2,236,447.52	1,209,766.98	945,985.33
1250 Less Restrictive Programs for Students with Disabilities	2,540,753.99	1,378,019.78	1,059,223.47
1280 Alternative Education	3,345,923.84	600,849.93	362,410.26
1291 English Second Language Programs	332,128.62	201,415.78	124,632.21
1300 Adult/Continuing Education Programs	22,727.00	-	-
1400 Summer School Programs	40,846.04	29,541.65	11,219.15
Total Instruction Expenditures	\$ 25,630,806.72	\$ 13,581,544.08	\$ 8,511,093.43

Support Services Expenditures

	Totals	Object 100	Object 200
2110 Attendance and Social Work Services	\$ 224,721.11	\$ 69,716.21	\$ 48,794.59
2120 Guidance Services	916,418.16	589,728.37	319,841.60
2130 Health Services	235,252.19	137,219.36	93,736.74
2140 Psychological Services	58,477.91	43,920.00	14,022.55
2150 Speech Pathology and Audiology Services	650,228.99	342,025.69	188,551.45
2160 Other Student Treatment Services	157.33	-	-
2190 Service Direction, Student Support Services	279,180.43	155,014.20	104,926.85
2210 Improvement of Instruction Services	414,836.73	236,554.55	125,825.50
2220 Educational Media Services	414,205.27	195,771.41	186,884.22
2230 Assessment & Testing	32,203.45	-	-
2240 Instructional Staff Development	187,312.04	15,340.89	5,191.06
2310 Board of Education Services	112,806.24	-	-
2320 Executive Administration Services	237,479.19	129,890.96	79,104.49
2410 Office of the Principal Services	4,124,055.92	2,525,203.53	1,448,254.96
2520 Fiscal Services	631,421.52	340,933.25	190,876.82
2540 Operation and Maintenance of Plant Services	3,916,100.47	1,164,690.41	742,622.61
2550 Student Transportation Services	1,676,497.86	844,762.18	599,860.29
2570 Internal Services	22,285.96	14,864.42	5,532.19
2620 Planning, Research, Development, Evaluation Services, Grant Writing, and Statistical Services	68.10	50.00	18.10
2630 Information Services	174,063.55	101,478.90	67,265.36
2640 Staff Services	485,024.13	266,016.50	159,528.50
2660 Technology Services	690,957.28	249,281.58	125,726.19
2680 Interpretation and Translation Services	64,464.96	45,922.10	18,328.64
2700 Supplemental Retirement Programs	141,681.31	19,903.89	121,777.42
Total Support Services Expenditures	\$ 15,689,900.10	\$ 7,488,288.40	\$ 4,646,670.13

Other Uses Expenditures

	Totals	Object 100	Object 200
5200 Transfers of Funds	\$ 2,621,000.00	\$ -	\$ -
Total Other Uses Expenditures	\$ 2,621,000.00	\$ -	\$ -

Grand Total

\$ 43,941,706.82 \$ 21,069,832.48 \$ 13,157,763.56

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 278,423.89	\$ 89,094.62	\$ -	\$ -	\$ -
-	-	-	-	-
102,367.70	27,937.07	-	-	-
-	-	-	-	-
326,671.66	104,381.11	-	3,276.51	-
616.00	408.99	-	-	-
-	8,969.19	-	260.00	-
70,281.20	10,414.01	-	-	-
97,715.86	5,635.88	-	159.00	-
2,353,403.50	25,223.36	-	4,036.79	-
5,137.29	943.34	-	-	-
22,727.00	-	-	-	-
-	85.24	-	-	-
\$ 3,257,344.10	\$ 273,092.81	\$ -	\$ 7,732.30	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 90,512.98	\$ 15,357.33	\$ -	\$ 340.00	\$ -
6,346.23	501.96	-	-	-
3,124.89	1,031.70	-	139.50	-
535.36	-	-	-	-
114,719.55	4,125.30	-	807.00	-
157.33	-	-	-	-
12,171.30	7,068.08	-	-	-
23,556.57	2,321.11	-	26,579.00	-
7,565.35	20,856.29	-	3,128.00	-
12,611.75	19,591.70	-	-	-
142,730.90	24,049.19	-	-	-
99,921.39	134.85	-	12,750.00	-
3,513.68	20,541.06	-	4,429.00	-
83,320.98	58,371.45	-	8,905.00	-
68,944.36	7,510.98	-	23,156.11	-
1,367,949.62	351,959.11	64,619.60	224,259.12	-
(30,013.58)	227,217.51	-	34,671.46	-
-	1,889.35	-	-	-
-	-	-	-	-
5,041.31	277.98	-	-	-
31,501.61	24,501.52	-	3,476.00	-
94,506.24	209,208.54	11,934.73	300.00	-
214.22	-	-	-	-
-	-	-	-	-
\$ 2,138,932.04	\$ 996,515.01	\$ 76,554.33	\$ 342,940.19	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ -	\$ -	\$ -	\$ -	\$ 2,621,000.00
\$ -	\$ -	\$ -	\$ -	\$ 2,621,000.00
\$ 5,396,276.14	\$ 1,269,607.82	\$ 76,554.33	\$ 350,672.49	\$ 2,621,000.00

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9

Lebanon, Oregon

EXPENDITURE SUMMARY - SPECIAL REVENUE FUND

June 30, 2019

Instruction Expenditures

	Totals	Object 100	Object 200
1111 Elementary, K-5 or K-6	\$ 47,494.16	\$ 12,497.13	\$ 4,358.00
1113 Elementary Extracurricular	96,884.70	-	-
1121 Middle/Junior High Programs	59,009.73	11,300.00	4,209.88
1122 Middle/Junior High School Extracurricular	102,903.73	45,365.82	9,308.76
1131 High School Programs	371,495.83	129,710.07	82,739.60
1132 High School Extracurricular	1,074,415.61	227,367.30	77,099.80
1220 Restrictive Programs for Students with Disabilities	16,679.24	7,102.70	7,158.30
1250 Less Restrictive Programs for Students with Disabilities	749,983.54	435,819.12	291,888.31
1272 Title I	1,108,077.72	644,359.20	345,431.63
1280 Alternative Education	74,296.88	43,512.69	20,481.76
1291 English Language Learner	39,298.62	20,290.63	18,483.79
1300 Adult/Continuing Education Programs	773.88	-	-
1400 Summer School Program	1,840.02	1,500.00	333.18
Total Instruction Expenditures	\$ 3,743,153.66	\$ 1,578,824.66	\$ 861,493.01

Support Services Expenditures

	Totals	Object 100	Object 200
2110 Attendance and Social Work Services	\$ 324,826.11	\$ 184,659.15	\$ 116,817.04
2120 Guidance Services	226,534.81	126,067.49	81,059.69
2130 Health Services	4,283.60	2,136.60	2,147.00
2150 Speech Pathology and Audiology Services	11,865.76	1,789.44	1,152.21
2160 Other Student Treatment Services	200.00	-	-
2190 Service Direction, Student Support Services	209,898.82	129,764.53	79,539.29
2210 Improvement of Instruction Services	149,080.09	80,664.67	19,431.64
2220 Educational Media Services	-	-	-
2240 Instructional Staff Development	88,972.67	1,366.30	435.03
2410 Office of the Principal Services	28,631.96	-	-
2540 Operation and Maintenance of Plant Services	352,799.64	-	-
2550 Student Transportation Services	326,371.60	3,222.75	3,316.65
2570 Internal Services	40,288.30	-	-
2620 Planning, Research, Development, Evaluation Services, Grant Writing, and Statistical Services	18,188.15	11,021.34	7,166.81
2630 Information Services	19,349.15	-	-
2640 Staff Services	45,072.32	2,839.12	1,071.97
2660 Technology Services	9,054.97	-	-
2680 Interpretation and Translation Services	55,522.87	29,978.84	25,544.03
2700 Supplemental Retirement Programs	-	-	-
Total Support Services Expenditures	\$ 1,910,940.82	\$ 573,510.23	\$ 337,681.36

Enterprise and Community Services Expenditures

	Totals	Object 100	Object 200
3100 Food Services	\$ 2,006,081.93	\$ 602,714.33	\$ 480,968.48
3300 Community Services	16,249.28	1,307.85	461.56
Total Enterprise and Community Services Expenditures	\$ 2,022,331.21	\$ 604,022.18	\$ 481,430.04

Facilities Acquisition and Construction

	Totals	Object 100	Object 200
4150 Building Acquisition, Construction, and Improvement	\$ 178,130.89	\$ -	\$ -
Total Facilities Acquisition and Construction	\$ 178,130.89	\$ -	\$ -

Other Uses Expenditures

	Totals	Object 100	Object 200
5200 Transfers of Funds	\$ 155,742.08	\$ -	\$ -
Total Other Uses Expenditures	\$ 155,742.08	\$ -	\$ -

Grand Total

\$ 8,010,298.66	\$ 2,756,357.07	\$ 1,680,604.41
------------------------	------------------------	------------------------

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 14,482.02	\$ 16,107.01	\$ -	\$ 50.00	\$ -
23,742.49	72,203.19	-	939.02	-
38,805.35	4,694.50	-	-	-
10,267.16	32,921.99	-	5,040.00	-
36,462.36	109,221.60	12,862.20	500.00	-
285,151.84	354,131.71	27,740.45	102,924.51	-
2,018.15	400.09	-	-	-
22,276.11	-	-	-	-
29,191.58	89,095.31	-	-	-
10,000.00	302.43	-	-	-
524.20	-	-	-	-
273.88	-	-	500.00	-
-	6.84	-	-	-
\$ 473,195.14	\$ 679,084.67	\$ 40,602.65	\$ 109,953.53	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 634.11	\$ 22,715.66	\$ -	\$ 0.15	\$ -
15,325.91	4,081.72	-	-	-
-	-	-	-	-
8,924.11	-	-	-	-
200.00	-	-	-	-
-	-	-	595.00	-
48,316.35	667.43	-	-	-
-	-	-	-	-
86,704.93	466.41	-	-	-
28,141.98	489.98	-	-	-
(46,637.44)	(713.96)	400,014.64	136.40	-
87,512.20	-	232,320.00	-	-
-	31,880.68	8,407.62	-	-
-	-	-	-	-
-	19,349.15	-	-	-
280.00	40,881.23	-	-	-
9,029.25	-	25.72	-	-
-	-	-	-	-
-	-	-	-	-
\$ 238,431.40	\$ 119,818.30	\$ 640,767.98	\$ 731.55	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 49,086.57	\$ 812,297.88	\$ 51,637.67	\$ 9,377.00	\$ -
813.12	13,666.75	-	-	-
\$ 49,899.69	\$ 825,964.63	\$ 51,637.67	\$ 9,377.00	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 74,364.00	\$ -	\$ 103,766.89	\$ -	\$ -
\$ 74,364.00	\$ -	\$ 103,766.89	\$ -	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ -	\$ -	\$ -	\$ -	\$ 155,742.08
\$ -	\$ -	\$ -	\$ -	\$ 155,742.08
\$ 835,890.23	\$ 1,624,867.60	\$ 836,775.19	\$ 120,062.08	\$ 155,742.08

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

EXPENDITURE SUMMARY - DEBT SERVICE FUND

June 30, 2019

Other Uses Expenditures

5100 Debt Service

Total Other Uses Expenditures

Grand Total

Totals	Object 600
\$ 4,019,471.38	\$ 4,019,471.38
\$ 4,019,471.38	\$ 4,019,471.38
\$ 4,019,471.38	\$ 4,019,471.38

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

EXPENDITURE SUMMARY - ENTERPRISE FUND

June 30, 2019

Instruction Expenditures	Totals	Object 300	Object 400	Object 600
1131 High School Programs	\$ 107,270.69	\$ 38,057.89	\$ 68,188.29	\$ 1,024.51
Total Support Services Expenditures	\$ 107,270.69	\$ 38,057.89	\$ 68,188.29	\$ 1,024.51
Grand Total	\$ 107,270.69	\$ 38,057.89	\$ 68,188.29	\$ 1,024.51

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

EXPENDITURE SUMMARY - INTERNAL SERVICE FUND

June 30, 2019

Support Services Expenditures

2320 Executive Administration Services

Total Support Services Expenditures

Grand Total

Totals	Object 300
\$ 55,576.76	\$ 55,576.76
\$ 55,576.76	\$ 55,576.76
\$ 55,576.76	\$ 55,576.76

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, 2018

	July 1, 2018 Balances	Receipts	Disbursements	June 30, 2019 Balances
Lebanon High School	\$ 430,341	\$ 639,626	\$ 651,351	\$ 418,616
Seven Oaks Middle School	25,213	33,085	27,069	31,229
Elementary Schools:				
Cascade	22,680	35,862	19,690	38,852
Green Acres	16,487	9,477	11,129	14,835
Hamilton Creek	12,518	21,357	21,116	12,759
Lacombe	18,010	14,969	15,220	17,759
Pioneer	15,828	17,175	14,467	18,536
Riverview	6,413	14,621	9,519	11,515
Totals	<u>\$ 547,490</u>	<u>\$ 786,172</u>	<u>\$ 769,561</u>	<u>\$ 564,101</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, 2019

Fiscal Year	TOTAL ALL REQUIREMENTS			GENERAL OBLIGATION BONDS 2005 Refunding		
	Total	Principal	Interest	Total	Principal	Interest
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	4,189,839	2,495,000	1,694,839	1,936,900	1,175,000	761,900
2023	4,292,153	2,725,000	1,567,153	1,920,213	1,220,000	700,213
2024	4,397,851	2,970,000	1,427,851	636,162	-	636,162
2025	4,504,353	3,215,000	1,289,353	796,163	160,000	636,163
2026	6,509,675	5,365,000	1,144,675	2,263,962	1,635,000	628,962
2027	4,631,757	3,755,000	876,757	2,543,125	2,000,000	543,125
2028	4,745,587	4,060,000	685,587	2,693,125	2,260,000	433,125
2029	4,865,788	4,390,000	475,788	2,923,824	2,615,000	308,824
2030	<u>4,987,650</u>	<u>4,740,000</u>	<u>247,650</u>	<u>3,165,000</u>	<u>3,000,000</u>	<u>165,000</u>
TOTALS	<u>\$ 51,205,556</u>	<u>\$ 38,100,000</u>	<u>\$ 13,105,556</u>	<u>\$ 22,413,300</u>	<u>\$ 15,925,000</u>	<u>\$ 6,488,300</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, 2019

(Continued)

Fiscal Year	GENERAL OBLIGATION BONDS 2011 Refunding			QUALIFIED SCHOOL CONSTRUCTION BONDS Series 2011		
	Total	Principal	Interest	Total	Principal	Interest
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	2,155,726	1,320,000	835,726	97,213	-	97,213
2023	2,274,726	1,505,000	769,726	97,214	-	97,214
2024	3,664,476	2,970,000	694,476	97,213	-	97,213
2025	3,610,976	3,055,000	555,976	97,214	-	97,214
2026	2,253,500	1,835,000	418,500	1,992,213	1,895,000	97,213
2027	2,088,632	1,755,000	333,632	-	-	-
2028	2,052,462	1,800,000	252,462	-	-	-
2029	1,941,964	1,775,000	166,964	-	-	-
2030	<u>1,822,650</u>	<u>1,740,000</u>	<u>82,650</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 26,216,762</u>	<u>\$ 20,280,000</u>	<u>\$ 5,936,762</u>	<u>\$ 2,575,494</u>	<u>\$ 1,895,000</u>	<u>\$ 680,494</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, 2019, and have issued our report thereon dated December 30, 2019. 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, except as follows:

1. The District expended funds in excess of amounts appropriated as follows:

<u>Fund</u>	<u>Category</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue	Facilities acquisition	\$ -	\$ 178,131	\$ 178,131

2. The District did not solicit and retain adequate quotes for one public contract, which is in violation of public contracts and purchasing requirements.

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 30, 2019

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2019

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	\$ 615,291
Function 2550	\$ -

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

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

\$ -

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, 2019

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	\$ 1,178,632
Special Education Cluster			
IDEA Special Education Grants To States	2101	84.027	923,112
IDEA Part B - Section 619	2101	84.173	3,853
Total Special Education Cluster			926,965
English Language Acquisition Grants	2101	84.365	996
Title IIA Improving Teaching Quality State Grants	2101	84.367	183,304
Competitive Grants for State Assessments	2101	84.368	14,147
Student Support and Academic Enrichment	2101	84.424	98,648
Total Passed through Oregon State Department of Education			2,402,692
Passed through Linn-Benton Community College			
Career and Technical Education Basic Grants	N/A	84.048	47,912
Passed through Oregon State University			
Gaining Early Awareness and Readiness for Undergraduates	N/A	84.334	43,372
Passed through Oregon Research Institute			
Positive Family Support Project	N/A	84.324	110
Passed through State of Oregon Department of Health Services			
Youth Transition Program (YTP)	N/A	84.126	42,985
Total U.S. Department of Education			2,537,071
<u>U.S. Department of Defense</u>			
Passed through University of Oregon			
JROTC Program	N/A	12.000	65,257

(Continued)

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

(Continued)

Federal Grantor, Pass through Grantor, Program Title	Pass-through Entity ID	CFDA	Expenditures
<u>Department of Health and Human Services</u>			
Passed through Oregon State Department of Education			
Foster Care Title IV-E	2101.000	93.658	<u>11,807</u>
<u>U.S. Department of Agriculture</u>			
Passed through Oregon State Department of Education			
Child Nutrition Cluster			
Food Distribution/USDA Commodities	2101	10.559	\$ 525
Food Distribution/USDA Commodities	2101	10.555	137,272
School Breakfast Program	2101	10.553	565,404
National School Lunch Program	2101	10.555	933,575
National School Lunch Program Reimbursement	2101	10.555	571
Summer Food Service Program	2101	10.559	<u>46,795</u>
Total Child Nutrition Cluster			<u>1,684,142</u>
Fresh Fruit and Vegetable Program	2101	10.582	37,239
Child and Adult Care Food Program	2101	10.558	43,652
Child Care - After School	2101	10.558	17,152
Child Care - Cash for Commodities	2101	10.558	<u>3,099</u>
Total Passed through Oregon Department of Education			<u>1,785,284</u>
Passed through Linn County			
Federal Forest Fees	N/A	10.666	<u>179,478</u>
Total U.S. Department of Agriculture			<u>1,964,762</u>
Total federal expenditures			<u>\$ 4,578,897</u>

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

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, 2019. 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, 2019.

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, 2019, and have issued our report thereon dated December 30, 2019. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2019-001. We also noted the following noncompliance or other matter:

1. The District did not solicit and retain adequate quotes for one public contract, which is in violation of public contracts and purchasing requirements.
2. The District spent funds in excess of approved appropriations.

District's Response to Findings

Lebanon Community School District No. 9's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Accuity, LLC

Albany, Oregon
December 30, 2019



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, 2019. 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.

Basis for Qualified Opinion on Title I Program

As described in the accompanying schedule of findings and questioned costs, Lebanon Community School District No. 9 did not comply with requirements regarding CFDA 84.010 Title I as described in finding number 2019-001 for Cash Management. Compliance with such requirements is necessary, in our opinion, for Lebanon Community School District No. 9 to comply with the requirements applicable to that program.

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 its major federal program for the year ended June 30, 2019.

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 identified one deficiency in internal control over compliance that we consider to be a material weakness, which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

Lebanon Community School District No. 9's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 30, 2019

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's opinion issued:	Modified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

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

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

SECTION II - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

<i>Finding Number</i>	<i>Finding</i>
2019-001	Controls over cash management related to Title I claims were not adequate
Criteria	Title I grant reimbursement claims should only be requested after funds are expended by the District.
Condition	Title I grant reimbursement claims were submitted for reimbursement prior to funds being expended.
Cause	Inadequate cash management procedures.
Effect	Noncompliance with grant requirements.
Questioned Costs	N/A
Recommendations	We recommend that District management implement and adhere to strict cash management procedures in order to adequately track appropriate Title I claims.
<i>Finding Number</i>	<i>Finding</i>
2019-002	Bank reconciliations not prepared timely
Criteria	Bank reconciliation preparation, review, and approval should be done routinely each month
Condition	Bank reconciliations were not prepared, reviewed, and approved timely, and additionally, they were signed off prior to reconciliations being printed.
Cause	Management override
Effect	Incomplete bank reconciliations
Questioned Costs	N/A
Recommendations	We recommend that District management implement and adhere to strict bank reconciliation preparation and review procedures in order to adequately manage all accounts in a timely manner.

LEBANON COMMUNITY SCHOOL DISTRICT NO. 9
Lebanon, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

SECTION III - CORRECTIVE ACTION PLAN

<u><i>Finding Number</i></u>	<u><i>Corrective Action Plan</i></u>
2019-001	The District has implemented new procedures for reconciliation prior to requesting funds.
2019-002	The District has new staff in place that are assisting with month-end close, including bank reconciliations.