



**A U D I T**

**2017-2018**

**Linn Benton Lincoln  
Education Services District**

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**905 4TH AVENUE SE ALBANY, OR 97321**

**541-812-2600**

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT

TABLE OF CONTENTS

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PAGE  
NUMBER

**FINANCIAL SECTION:**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3
FINANCIAL STATEMENTS AND SCHEDULES:	
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	12
Notes to Basic Financial Statements	13

**REQUIRED SUPPLEMENTARY INFORMATION:**

Schedule of the Proportionate Share of the Net Pension Liability and Contributions	37
Schedule of Changes in Other Post Employment Benefit Liability	38
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
General Fund	39
Restricted Revenue Fund	41
Special Service Fund	43

**SUPPLEMENTARY INFORMATION:**

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Capital Projects Fund	45

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT

TABLE OF CONTENTS (CONTINUED)

\*\*\*\*\*

	<u>PAGE NUMBER</u>
<b>AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS</b>	46
<b>GRANT COMPLIANCE REVIEW:</b>	
Schedule of Expenditures of Federal Awards (Supplementary Information)	48
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with <i>Government Auditing Standards</i>	50
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance with the Uniform Guidance	52
Schedule of Prior and Current Year Audit Findings and Questioned Costs Relative to Federal Awards and Notes to Schedule of Expenditure of Federal Awards	54
<b>OTHER INFORMATION:</b>	
Information Required by Oregon Department of Education	56

**LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT**

Albany, Oregon

PRINCIPAL OFFICIALS

BOARD OF DIRECTORS

TERM EXPIRES

<b>Zone 1:</b>	Heather Search	June 30, 2021
<b>Zone 2:</b>	Roger Irvin	June 30, 2021
<b>Zone 3:</b>	Frank Bricker	June 30, 2021
<b>Zone 4:</b>	David Dowrie	June 30, 2021
<b>Zone 5:</b>	Terry Deacon	June 30, 2019
<b>Zone 6:</b>	Jan Doerfler	June 30, 2019
<b>Zone 7:</b>	David Dunsdon, Chair	June 30, 2019

ADMINISTRATION

Tonja Everest, Superintendent  
Don Dorman, Assistant Superintendent  
Jackie Olsen, Chief Financial Officer

The Board members receive mail at the following address:

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



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

November 30, 2018

To the Board of Directors  
Linn Benton Lincoln Education Service District

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Linn Benton Lincoln Education Service District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Linn Benton Lincoln Education Service District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

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

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

The other information, as listed in the table of contents and board member listing, presented after the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 30, 2018, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

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

As management of Linn Benton Lincoln Education Service District (the District) we offer readers this discussion and analysis of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's Financial Statements, which follows this MD&A.

### **FINANCIAL HIGHLIGHTS**

- At June 30, 2018, the District's assets and deferred outflows exceeded its liabilities by \$8.9 million (net position).
- The District's total net position decreased by \$580,887 for the fiscal year primarily due to the implementation of GASB No. 68 and recognition of a Net Pension Liability of \$22.2 million, which is an decrease from the prior year of \$27.8 million.
- The District has \$5 million invested in capital assets, net of depreciation.

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

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

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The Statement of Net Position shows the District's assets, deferred outflows, liabilities, and deferred inflows with the difference between them reported as net position. All capital assets, long-term liabilities, and general government functions, are shown in the Statement of Net Position.

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

Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements. The governmental fund reporting focuses on how money flows in and out of funds and the balances left at year end that are available for spending. They are reported using the accounting method called "modified accrual" accounting, which measures cash and all other financial assets that can readily be converted to cash.



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

This information is essential for preparation of and compliance with annual budgets. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the government statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

### FUND FINANCIAL STATEMENTS

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

##### Condensed Statement of Net Position

	2018	2017	Difference
Assets and Deferred Outflows			
Current Assets	\$ 22,597,427	\$ 21,245,510	\$ 1,351,917
Deferred Outflows	9,107,753	14,907,775	(5,800,022)
Net Pension Asset	-	-	-
Capital Assets (net)	5,006,657	6,073,388	(1,066,731)
Total Assets & Deferred Outflows	<u>36,711,837</u>	<u>42,226,673</u>	<u>(5,514,836)</u>
Liabilities and Deferred Inflows			
Current Liabilities	3,248,138	3,694,085	(445,947)
Net Pension Liability	22,218,840	27,811,053	(5,592,213)
Deferred Inflows	2,282,813	1,178,602	1,104,211
Total Liabilities & Deferred Inflows	<u>27,749,791</u>	<u>32,683,740</u>	<u>(4,933,949)</u>
Net Position			
Net Investment in Capital Assets	5,006,657	6,073,388	(1,066,731)
Restricted for Various Purposes	1,949,117	1,486,379	462,738
Unrestricted	2,006,272	1,983,166	23,106
Total Net Position	<u>\$ 8,962,046</u>	<u>\$ 9,542,933</u>	<u>\$ (580,887)</u>

The District's net position decreased by \$580,887 during the current fiscal year as reflected above. The statement of activities information shown on the following page explains the change in net position.

**FUND FINANCIAL STATEMENTS**

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

The District's revenues and expenses for fiscal year 2017-2018, compared to the prior fiscal year, were as follows:

	2018	2017	Difference
Revenues			
Charges for Services	\$ 2,164,075	\$ 2,207,164	\$ (43,089)
Operating Grants	18,742,818	18,239,238	503,580
General Revenues			
Property Taxes	7,307,581	7,030,947	276,634
State Revenue Sharing	8,545,801	7,973,825	571,976
Miscellaneous	906,443	650,029	256,414
Total Revenues	<u>37,666,718</u>	<u>36,101,203</u>	<u>1,565,515</u>
Expenses			
Instruction	8,962,327	9,745,655	(783,328)
Support Services	21,348,937	20,412,659	936,278
Other Uses	7,936,341	7,084,168	852,173
Total Expenses	<u>38,247,605</u>	<u>37,242,482</u>	<u>1,005,123</u>
Change in Net Position	(580,887)	(1,141,279)	560,392
Beginning Net Position	<u>9,542,933</u>	<u>10,684,212</u>	<u>(1,141,279)</u>
Ending Net Position	<u>\$ 8,962,046</u>	<u>\$ 9,542,933</u>	<u>\$ (580,887)</u>

**FUND FINANCIAL ANALYSIS**

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unreserved fund balance measures the District's net resources available for appropriation in the next fiscal year. As of June 30, 2018, total fund balance of the governmental funds was \$19,027,255. These amounts are available to use, in accordance with applicable restrictions on the nature of the expenditures.

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

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

Summary of ending fund balances for the major governmental funds for 2017 and 2018 are as follows:

Ending Fund Balance

	<u>2018</u>	<u>2017</u>	<u>Change</u>
General Fund	\$ 7,406,681	\$ 6,417,267	\$ 989,414
Capital Projects Fund	1,381,606	1,201,371	180,235
Special Revenue Fund	4,324,204	3,825,394	498,810
Special Service Fund	<u>5,914,764</u>	<u>5,744,422</u>	<u>170,342</u>
	<u>\$ 19,027,255</u>	<u>\$ 17,188,454</u>	<u>\$ 1,838,801</u>

The general fund balance increased by \$989,414 due to increased District revenues and the decision to maintain these reserves to offset future program costs. Of the general fund ending fund balance, \$2,228,427 is reserved for future resolution expenditures, up from \$1,919,510 in 2016-17. The capital projects fund provides for capital improvements and expansion. The special revenue fund primarily receives grant revenues for specific programs. The special service fund primarily receives contracted revenues to provide for services contracted by component and non-component school districts.

**CAPITAL ASSETS**

At June 30, 2018 the District had \$5,006,657 invested in broad range of capital assets, including land, building, equipment and intangible assets including the District's investment in the Student Information System software and website. Additions to fixed assets in 2017-18 were to replace and upgrade various network and equipment items as well as upgrades to facilities including new HVAC units.

**ECONOMIC FACTORS AND THE 2018-19 BUDGET**

The budget for 2018-2019 has total appropriations of \$69,240,551. Operating resources and uses are expected to be similar to the current year. The District's finances are significantly impacted by the economic conditions in the State of Oregon and the State's General Fund Budget. The current economic forecast in Oregon indicates resources have stabilized and modest growth may occur over the next biennium. The District will continue to identify efficiencies and cost saving measures while monitoring the ever changing economic climate to insure continued support to our component school districts and the students we collectively serve.

**REQUESTS FOR INFORMATION**

Our financial report is designed to provide our taxpayers, parents, teachers, students, investors and creditors with an overview of the District's finances. If you have any questions about this report or need any clarification of information please contact the Business Services Department at the Linn Benton Lincoln Education Service District, our address is: 905 4<sup>th</sup> Avenue Southeast, Albany, Oregon 97321.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

BASIC FINANCIAL STATEMENTS

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

STATEMENT OF NET POSITION  
June 30, 2018

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ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 16,239,380
Receivables	6,354,641
Prepaid Expense	3,406
Total Current Assets	<u>22,597,427</u>
Other Assets:	
Capital Assets, Net of Depreciation	<u>5,006,657</u>
Total Assets	<u>27,604,084</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Net Deferred Pension Expense	<u>9,107,753</u>
Total Assets and Deferred Outflows	<u>\$ 36,711,837</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 1,021,000
Accrued Payroll, Taxes, and Employee Withholdings	1,639,957
Vested Compensated Absences	218,476
Unearned Revenue	368,705
Total Current Liabilities	<u>3,248,138</u>
Non-Current Liabilities:	
Other Post Employment Benefits	474,540
Proportionate Share of Net Pension Liability	<u>21,744,300</u>
Total Non-Current Liabilities	<u>22,218,840</u>
Total Liabilities	<u>25,466,978</u>
DEFERRED INFLOWS OF RESOURCES:	
Net Deferred Pension Asset	<u>2,282,813</u>
NET POSITION:	
Invested in Capital Assets	5,006,657
Restricted	1,949,117
Unrestricted	<u>2,006,272</u>
Total Net Position	<u>8,962,046</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 36,711,837</u>

The accompanying notes are an integral part of this statement.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 8,962,327	\$ 631,985	\$ 5,473,553	\$ (2,856,789)
Support Services	21,348,937	1,532,090	13,269,265	(6,547,582)
Other uses	<u>7,936,341</u>	<u>-</u>	<u>-</u>	<u>(7,936,341)</u>
Total Governmental Activities	<u>\$ 38,247,605</u>	<u>\$ 2,164,075</u>	<u>\$ 18,742,818</u>	<u>\$ (17,340,712)</u>

General Revenues

Taxes:	
Property Taxes, Levied for General Purposes	7,307,581
State Revenue Sharing	8,545,801
Revenues Not Restricted to Specific Programs	
Intermediate	249,245
Interest and Investment Earnings	355,554
Miscellaneous	140,843
Medicaid	<u>160,801</u>
Total General Revenues	<u>16,759,825</u>
Changes in Net Position	(580,887)
Net Position - Beginning of Year	<u>9,542,933</u>
Net Position - Ending	<u>\$ 8,962,046</u>

The accompanying notes are an integral part of this statement.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2018

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>
<b>ASSETS AND DEFERRED OUTFLOWS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 8,721,762	\$ 1,388,144
Property Taxes and other Receivables	601,093	6,358
Due from Other Funds	336,409	-
Prepaid	3,406	-
	<u>9,662,670</u>	<u>1,394,502</u>
Total Assets and Deferred Outflows	<u>\$ 9,662,670</u>	<u>\$ 1,394,502</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:</b>		
Liabilities:		
Accounts Payable	\$ 75,522	\$ 12,896
Accrued Payroll, Taxes, and Employee Withholdings	1,639,957	-
Due to Other Funds	-	-
Unearned Revenue	-	-
	<u>1,715,479</u>	<u>12,896</u>
Total Liabilities	<u>1,715,479</u>	<u>12,896</u>
Deferred Inflows:		
Unavailable Property Tax Revenue	<u>540,510</u>	<u>-</u>
Total Deferred Inflows	<u>540,510</u>	<u>-</u>
Fund Balances (Deficit):		
Nonspendable	3,406	-
Restricted	950,544	-
Committed	-	-
Assigned	2,228,427	1,381,606
Unassigned	4,224,304	-
	<u>7,406,681</u>	<u>1,381,606</u>
Total Fund Balances (Deficit)	<u>7,406,681</u>	<u>1,381,606</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 9,662,670</u>	<u>\$ 1,394,502</u>

The accompanying notes are an integral part of this statement.

RESTRICTED REVENUE FUND	SPECIAL SERVICE FUND	TOTALS
\$ -	\$ 6,129,474	\$ 16,239,380
5,622,532	124,658	6,354,641
-	-	336,409
-	-	3,406
<u>\$ 5,622,532</u>	<u>\$ 6,254,132</u>	<u>\$ 22,933,836</u>
\$ 593,214	\$ 339,368	\$ 1,021,000
-	-	1,639,957
336,409	-	336,409
368,705	-	368,705
<u>1,298,328</u>	<u>339,368</u>	<u>3,366,071</u>
-	-	540,510
-	-	540,510
-	-	3,406
998,573	-	1,949,117
2,556,172	2,149,266	4,705,438
769,519	3,765,498	8,145,050
(60)	-	4,224,244
<u>4,324,204</u>	<u>5,914,764</u>	<u>19,027,255</u>
<u>\$ 5,622,532</u>	<u>\$ 6,254,132</u>	<u>\$ 22,933,836</u>



LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018

REVENUES:	GENERAL FUND	CAPITAL PROJECTS FUND
Taxes	\$ 7,346,721	\$ -
Federal Sources	-	-
State and Local Sources	152,307	20,470
State Revenue Sharing	8,545,801	-
Charges for Services	1,557,902	-
Earnings from Investments	355,554	-
Intermediate Sources	-	-
Medicaid	-	-
Miscellaneous	28,950	6,358
Total Revenues	17,987,235	26,828
EXPENDITURES:		
Current:		
Instruction	203,951	-
Support Services	10,618,299	-
Building Acquisition Construction & Improvement	-	73,709
Capital Outlay	60,295	122,884
Total Expenditures	10,882,545	196,593
Revenues over (under) Expenditures	7,104,690	(169,765)
Other Financing Sources, (uses):		
Transfers In	-	350,000
Transfers Out	(4,815,276)	-
Transits	(1,300,000)	-
Total other Financing Sources (uses)	(6,115,276)	350,000
Net Change in Fund Balance	989,414	180,235
Beginning Fund Balance	6,417,267	1,201,371
Ending Fund Balance	\$ 7,406,681	\$ 1,381,606

The accompanying notes are an integral part of this statement.

RESTRICTED REVENUE FUND	SPECIAL SERVICE FUND	TOTALS
\$ -	\$ -	\$ 7,346,721
7,711,984	-	7,711,984
9,071,388	1,786,669	11,030,834
-	-	8,545,801
3,500	602,673	2,164,075
-	-	355,554
249,245	-	249,245
59,600	101,201	160,801
25,581	79,954	140,843
<u>17,121,298</u>	<u>2,570,497</u>	<u>37,705,858</u>
7,888,103	9,824	8,101,878
2,406,844	6,615,840	19,640,983
-	-	73,709
3,351	1,325	187,855
<u>10,298,298</u>	<u>6,626,989</u>	<u>28,004,425</u>
<u>6,823,000</u>	<u>(4,056,492)</u>	<u>9,701,433</u>
262,101	4,266,361	4,878,462
(63,186)	-	(4,878,462)
<u>(6,523,105)</u>	<u>(39,527)</u>	<u>(7,862,632)</u>
<u>(6,324,190)</u>	<u>4,226,834</u>	<u>(7,862,632)</u>
498,810	170,342	1,838,801
<u>3,825,394</u>	<u>5,744,422</u>	<u>17,188,454</u>
<u>\$ 4,324,204</u>	<u>\$ 5,914,764</u>	<u>\$ 19,027,255</u>

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
June 30, 2018

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Total Fund Balances - Governmental Funds \$ 19,027,255

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

Net Capital Assets 5,006,657

Deferred Inflows and Outflows related to the Net Pension Liability are not reported in the governmental funds. They represent a consumption of net position that will not be recognized until future periods

Net Deferred Pension Expense (Outflow)	\$ 9,107,753	
Net Deferred Pension Asset (Inflow)	<u>(2,282,813)</u>	
		6,824,940

Deferred Revenue Related to Property Taxes 540,510

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

Vested Compensated Absences	\$ (218,476)	
Other Post Employment Benefits	(474,540)	
Proportionate Share of Net Pension Liability	<u>(21,744,300)</u>	
Total Adjustment for Long-Term Liabilities		<u>(22,437,316)</u>

Total Net Position \$ 8,962,046

The accompanying notes are an integral part of this statement.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
For the Year Ended June 30, 2018

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Total Net Changes in Fund Balances - Governmental Funds \$ 1,838,801

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

Vested Compensated Absences	\$ (1,797)	
Single Employer Pension Plan	21,410	
Other Post Employment Benefits	<u>23,460</u>	
		43,073

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

Other Capitalized Expenses	\$ 428,987	
Capital Asset Adjustments	45,714	
Depreciation and Amortization Expense	<u>(1,541,432)</u>	
Total Adjustment for Fixed Assets		(1,066,731)

The Pension Expense and the changes in deferred inflows and outflows related to the Net Pension Liability represents the changes in Net Pension Liability from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits (1,356,890)

Deferred property tax adjustment for the current year created a revenue in the Statement of Activities. (39,140)

Change in Net Position of Governmental Activities \$ (580,887)

The accompanying notes are an integral part of this statement.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

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

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

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

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

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfold activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND TYPES

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

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

The District reports the following major governmental funds:

GENERAL FUND

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

CAPITAL PROJECTS FUND

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

Additionally, the government reports the following fund types:

RESTRICTED REVENUE FUND

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SPECIAL SERVICE FUND

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

ASSETS, LIABILITIES AND NET POSITION OR EQUITY

CASH AND CASH EQUIVALENTS

For financial reporting purposes, the District considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

PROPERTY TAXES

Uncollected real and personal property taxes are reflected on the statement of net assets and the balance sheet as receivables. Uncollected taxes are deemed to be substantially collectible or recoverable through liens, therefore no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

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

GRANTS

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

INVENTORIES

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS

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

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

COMPENSATED ABSENCES

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

LONG-TERM OBLIGATIONS

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

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



LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND EQUITY

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

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

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

NET POSITION

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

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

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET POSITION (continued)

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

NET POSITION FLOW ASSUMPTION

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

ESTIMATES

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

DEFERRED OUTFLOW/INFLOW OF RESOURCES

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The ESD has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government wide statement of net position reports these amounts as the Net Deferred Pension Asset.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RETIREMENT PLANS

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

FAIR VALUE INPUTS, METHODOLOGIES AND HIERARCHY

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

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

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

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

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels). Such transfers require approval by the Board.

Budget amounts shown in the basic financial statements include the original budget amounts and the final budget appropriations approved by the Board. Appropriations lapse at the end of each fiscal year.

Expenditures of the various funds were within authorized appropriations.

3. BUDGET/GAAP REPORTING DIFFERENCES

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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4. CASH AND INVESTMENTS

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

Investments

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2018. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2018, the fair value of the position in the LGIP is 100.13% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

Cash and Investments at June 30, 2018 (recorded at fair value) consisted of:

		2018	
Petty Cash	\$	134	
Deposits with Financial Institutions:			
Demand Deposits		(315,914)	
Investments		16,555,160	
 Total	 \$	 16,239,380	

The District had the following investments and maturities:

Investment Type	Fair Value	Less Than 3	More Than 3
State Treasurer's Investment Pool	\$ 16,555,160	\$ 16,555,160	\$ -
Total	\$ 16,555,160	\$ 16,555,160	\$ -

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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4. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The District does not have any investments that exceed an 18 month maturity.

Credit Risk

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

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

Concentration of Credit Risk

In the case of deposits, there is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2018, the District had \$55,930 of deposits in accounts insured by the FDIC. The entire balance is covered by FDIC insurance and the remainder is collateralized by the Oregon Public Funds Collateralization Program.

5. GRANTS RECEIVABLE

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

6. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2018 are as follows:

	BEGINNING BALANCE	ADJUSTMENTS	ADDITIONS	DELETIONS	ENDING BALANCE
<b>Fixed Assets</b>					
Land (Non-Depreciable)	\$ 177,840	-	-	-	\$ 177,840
Buildings & Improvements	2,401,190	(482)	123,367	-	2,524,075
Equipment and Vehicles	2,672,000	(8,175)	64,972	-	2,728,797
Intangibles	11,990,486	-	240,648	-	12,231,134
Total	<u>17,241,516</u>	<u>(8,657)</u>	<u>428,987</u>	<u>-</u>	<u>17,661,846</u>
<b>Accumulated Depreciation</b>					
Buildings & Improvements	357,295	(17,114)	47,869	-	388,050
Equipment & Vehicles	1,891,807	(37,257)	218,296	-	2,072,846
Intangibles	8,919,026	-	1,275,267	-	10,194,293
Total	<u>11,168,128</u>	<u>(54,371)</u>	<u>1,541,432</u>	<u>-</u>	<u>12,655,189</u>
<b>Total Net Capital Assets</b>	<u>\$ 6,073,388</u>				<u>\$ 5,006,657</u>

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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6. CAPITAL ASSETS (continued)

Depreciation expense for the year ended June 30, 2018 was allocated to the functions as follows:

Instruction	\$ 450,152
Support Services	1,091,280
Total Depreciation	<u>\$ 1,541,432</u>

7. RISK MANAGEMENT

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

8. DEFINED BENEFIT PENSION PLAN

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

<http://www.oregon.gov/pers/documents/financials/CAFR/2017-CAFR.pdf>

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
  - i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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8. DEFINED BENEFIT PENSION PLAN (Continued)

- ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
  - of PERS covered employment,
  - member died as a result of injury sustained while employed in a PERS-covered job, or
  - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
- iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.
- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
- Police and fire:* 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
- General service:* 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
- A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
- ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.



LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (Continued)

- iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

**Contributions** – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2018 were \$2,978,654, excluding amounts to fund employer specific liabilities. At June 30, 2018, the District reported a net pension liability of \$21,744,300 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2017, the District's proportion was .16 percent. Pension expense for the year ended June 30, 2018 was \$3,689,024 which included the employer contributions above and \$710,370 of contributions made on behalf of employees.

The rates in effect for the year ended June 30, 2018 were:

- (1) Tier 1/Tier 2 – 27.20%
- (2) OPSRP general services – 21.87%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 1,051,564	\$ -
Changes in assumptions	3,963,598	-
Net difference between projected and actual earnings on pension plan investments	224,017	-
Net changes in proportionate share	-	2,264,075
Differences between employer contributions and proportionate share of contributions	889,920	18,738
Subtotal - Amortized Deferrals (below)	6,129,099	2,282,813
Employer contributions subsequent to measuring date	2,978,654	-
Deferred outflow (inflow) of resources	<u>\$ 9,107,753</u>	<u>\$ 2,282,813</u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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**8. DEFINED BENEFIT PENSION PLAN (Continued)**

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

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 663,055
2020	2,420,825
2021	1,532,796
2022	(746,205)
2023	(24,185)
Thereafter	-
Total	<u>\$ 3,846,286</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 20, 2018. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/documents/financials/CAFR/2017-CAFR.pdf>

**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 (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

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

**Actuarial Methods and Assumptions:**

Valuation Date	December 31, 2015 rolled forward to June 30, 2017
Experience Study Report	2014, Published September 23, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

Inflation rate		2.50 percent
Investment rate of return		7.50 percent
Projected salary increase		3.5 percent overall payroll growth
Cost of Living Adjustment		Blend of 2% COLA and graded COLA (1.25%/.15%) in accordance with Moro decision, blend based on service.
Mortality		Healthy retirees and beneficiaries:  RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 sex-distinct, generational per scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2015 Experience Study which is reviewed for the four-year period ending December 31, 2015.

**Assumed Asset Allocation:**

<b>Asset Class/Strategy</b>	<b>Low Range</b>	<b>High Range</b>	<b>OIC Target</b>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
<b>Total</b>			<b>100%</b>

*(Source: June 30, 2017 PERS CAFR; p. 92)*

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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**8. DEFINED BENEFIT PENSION PLAN (Continued)**

**Long-Term Expected Rate of Return:**

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

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
<i>Assumed Inflation - Mean</i>		2.50%

*(Source: June 30, 2017 PERS CAFR; p. 69)*

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 37,056,257	\$ 21,744,300	\$ 8,940,668

**Changes Subsequent to the Measurement Date**

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

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

**Deferred Compensation Plan**

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

**OPSRP Individual Account Program (OPSRP IAP)**

*Plan Description:*

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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**8. DEFINED BENEFIT PENSION PLAN (Continued)**

*Pension Benefits:*

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

*Death Benefits:*

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

*Contributions:*

Employees of the District pay six (6) percent of their covered payroll. The District's contributions to member IAP accounts for the year ended June 30, 2018 were \$710,370.

**Retirement Health Insurance Account**

*Plan Description:*

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

*Funding Policy:*

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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8. DEFINED BENEFIT PENSION PLAN (Continued)

receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.50% of annual covered OPERF payroll and 0.43% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the year ended June 30, 2018 were \$57,075, which equaled the required contributions for the year.

At June 30, 2018, the District's net OPEB liability/(asset) and deferred inflows and outflows were not considered significant by management and were not accrued on the government wide statements.

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

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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9. OTHER POST EMPLOYMENT BENEFIT PLAN (GASB 75)

Plan Description

The District is subject to ORS 243.303, which requires that early retirees (those not covered by Medicare) be allowed to stay on the District’s health plan on a self-pay basis. The statutory requirement under ORS 243.303 can result in an “implicit subsidy” (the difference between expected early retiree claim costs and the premium paid for the retiree) requiring additional cost and liability recognition under GASB 75. The District participates in the Oregon Educators Benefit Board (OEBB), a statewide cost-sharing multiple-employer plan, as defined in GASB 75. In OEBB, the individual employer health plans are rated collectively, rather than individually by employer, and the same blended premium rate is charged to all active employees and non-Medicare-eligible retirees.

Funding Policy

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

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

Actuarial Methods and Assumptions

The District engaged an actuary to perform an evaluation as of June 30, 2017 using the entry age normal method. The Single Employer Pension Plan Liability was determined using the following actuarial assumptions:

Discount Rate Per Year		3.58%
General Inflation Rate Per Year		2.50%
Salary Scale Per Year		2% Increase Per Year
Annual Medical Premium Increase Rate	2018	8%
Decreasing .5% per year until 2024	2024+	5%

Rates of mortality, retirement and withdrawal are the same rates that were used in the December 31, 2015 actuarial valuation of the Oregon Public Employees Retirement System for school district employees.

Disability rates are assumed to be immaterial for purposes of this actuarial valuation.



LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**9. OTHER POST EMPLOYMENT BENEFIT PLAN (GASB 75) – (Continued)**

Changes in Medical Benefit OPEB Liability:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
<b>Balance at June 30, 2017</b>	\$ 498,000	\$ -	\$ 498,000
Changes for the year:			
Service Cost	23,423	-	23,423
Interest	16,690	-	16,690
Changes in Benefit Terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions or other input	-	-	-
Employer Contributions	-	63,573	(63,573)
Benefit payments	(63,573)	(63,573)	-
Net changes for the year	\$ (23,460)	\$ -	\$ (23,460)
<b>Total Pension Liability at June 30, 2018</b>	<b>\$ 474,540</b>	<b>\$ -</b>	<b>\$ 474,540</b>

Sensitivity of the Net Other Post-Employment Benefit Liability to changes in Discount and Trend Rates:

The following presents the net other post-employment benefit liability (NOL), calculated using the discount rate of 3.58%, as well as what the liability would be if it was calculated using a discount rate one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate.

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	\$503,074	\$474,540	\$448,135

The following presents the net other post-employment benefit liability (NOL), calculated using the current health care trend rates, as well as what the liability would be if it was calculated using a trend rate one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Health Care Trend Rates	1% Increase
Net OPEB Liability	\$437,448	\$474,540	\$517,171

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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10. INTERFUND BALANCES

Interfund transactions are used to finance operations between the funds. Amounts are comprised of the following at June 30, 2018:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 0	\$ 4,815,276
Capital Projects	350,000	0
Restricted		
Revenue	262,101	63,186
Special Services	<u>4,266,361</u>	<u>0</u>
	\$ <u>4,878,462</u>	\$ <u>4,878,462</u>

\* Additionally, the General Fund reports \$336,409 as Due From the Restricted Revenue Fund on the combining governmental fund balance sheet.

11. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**12. FUND BALANCE CONSTRAINTS**

The specific purposes for each of the categories of fund balance as of June 30, 2018 are as follows:

<b>Fund Balances:</b>	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Restricted Revenue Fund</b>	<b>Special Service Fund</b>	<b>Total</b>
<b><u>Nonspendable:</u></b>					
Prepaid Expense	\$ 3,406	\$ -	\$ -	\$ -	\$ 3,406
<b><u>Restricted:</u></b>					
Grants and Contracts	-	-	998,513	-	998,513
Future Health Insurance Premiums	950,544	-	-	-	950,544
	950,544	-	998,513	-	1,949,057
<b><u>Committed:</u></b>					
Employee Pension	-	-	719,092	-	719,092
Technology Equipment	-	-	1,749,378	-	1,749,378
Vehicle Replacements	-	-	87,702	-	87,702
Component District Investment	-	-	-	2,149,266	2,149,266
	-	-	2,556,172	2,149,266	4,705,438
<b><u>Assigned:</u></b>					
Component District Collaboration	2,228,427	-	769,519	2,931,494	5,929,440
Capital Projects and Improvements	-	1,381,606	-	-	1,381,606
Future Unemployment Costs	-	-	-	834,004	834,004
	2,228,427	1,381,606	769,519	3,765,498	8,145,050
<b><u>Unassigned</u></b>	<b>4,224,304</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,224,304</b>
<b>Total Fund Balances</b>	<b>\$7,406,681</b>	<b>\$1,381,606</b>	<b>\$4,324,204</b>	<b>\$ 5,914,764</b>	<b>\$ 19,027,255</b>

**13. COMMITMENTS AND CONTINGENCIES**

The District is involved in various claims and legal matters relating to its operations which have all been tendered to, and are either being adjusted by the District's liability carrier, or are being defended by attorneys retained by the District's liability carrier. The District does not believe that any of these matters will have a material impact on its June 30, 2018 financial statements.

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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14. COMPENSATED ABSENCES

Changes in governmental compensated absences are as follows:

		<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>	<u>Amount Due within one year</u>
Vacation Payable	\$	216,679	\$ 218,476	\$ 216,679	\$ 218,476	\$ 218,476

15. TAX ABATEMENTS (GASB 77)

As of June 30, 2018, the District provides tax abatements through the following programs:

Enterprise Zone (ORS 285C.175)

Oregon Enterprise Zone program is a State of Oregon economic development program that allows for property tax exemptions for up to five years. In exchange for receiving a property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor.

The Enterprise Zone program allows industrial firms that will be making a substantial new capital investment a waiver of 100% of the amount of real property taxes attributable to the new investment for a 5-year period after completion. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

For the year ended June 30, 2018, the District abated property taxes totaling \$53,715 (\$46,445 and \$7,270 from Linn and Benton Counties respectively) under this program.

Construction in Process in Enterprise Zone (ORS 285C.170)

For property under construction where there is no reason to conclude that the property will not satisfy any applicable requirements for the property to be exempt under ORS 285C.175 upon being placed in service, the property may be exempt for no more than two tax years, which must be consecutive.

For the year ended June 30, 2018, the District abated property taxes totaling \$2,521 in Linn County under this program.

Housing Authority Property (ORS 307.515 – 307.523)

Property or a portion of the property is exempt from taxation if it is held for the purpose of developing low-income rental housing.

For the year ended June 30, 2018, the District abated property taxes totaling \$49,752 in Benton County under this program.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2018

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.16 %	\$ 21,744,300	\$ 11,613,259	187.2 %	83.1 %
2017	0.18	27,291,643	11,184,071	244.0	80.5
2016	0.20	11,533,368	10,487,930	110.0	91.9
2015	0.21	(4,766,397)	9,894,037	(48.2)	103.6
2014	0.21	10,730,783	9,669,508	108.5	92.0

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2018	\$ 2,978,654	\$ 2,978,654	-	\$ 11,842,619	25.2 %
2017	2,381,548	2,381,548	-	11,613,259	20.5
2016	2,276,386	2,276,386	-	11,184,071	21.7
2015	2,257,284	2,257,284	-	10,487,930	22.8
2014	2,143,685	2,143,685	-	9,894,037	22.2

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS

For the Year Ended June 30, 2018

<b>Total Other Post Employment Benefits Liability at June 30, 2017</b>	<b>\$</b>	<b>498,000</b>
<u>Changes for the year:</u>		
Service Cost		23,423
Interest		16,690
Changes in Benefit Terms		-
Differences between expected and actual experience		-
Changes in assumptions or other input		-
Employer Contributions		-
Benefit Payments		<u>(63,573)</u>
Net changes for the year		<u>(23,460)</u>
<b>Total Other Post Employment Benefits Liability at June 30, 2018</b>	<b>\$</b>	<b><u>474,540</u></b>
<b>Fiduciary Net Position - Beginning</b>	<b>\$</b>	<b>-</b>
Contributions - Employer		63,573
Contributions - Employee		-
Net Investment Income		-
Benefit Payments		<u>(63,573)</u>
Net changes for the year		<u>-</u>
<b>Fiduciary Net Position - Ending</b>		<b><u>-</u></b>
<b>Net Liability for Other Post Employment Benefits - End of Year</b>	<b>\$</b>	<b><u>474,540</u></b>
Fiduciary Net Position as a percentage of the total Single Employer Pension Liability		0%
Covered Payroll		\$11,007,772
Net Single Employer Pension Plan as a Percentage of Covered Payroll		4%

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2018

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Revenue from Local Sources:				
Taxes	\$ 7,046,000	7,046,000	\$ 7,346,721	\$ 300,721
Earnings from Investments	100,000	100,000	355,554	255,554
Charges for Services	1,702,726	1,702,726	1,557,902	(144,824)
Other Local Sources	<u>27,353</u>	<u>27,353</u>	<u>28,950</u>	<u>1,597</u>
Total Local Revenue	<u>8,876,079</u>	<u>8,876,079</u>	<u>9,289,127</u>	<u>413,048</u>
Revenue from State Sources:				
School Support Fund	8,132,814	8,132,814	8,545,801	412,987
Other State Sources	<u>65,000</u>	<u>65,000</u>	<u>152,307</u>	<u>87,307</u>
Total State Revenue	<u>8,197,814</u>	<u>8,197,814</u>	<u>8,698,108</u>	<u>500,294</u>
Total Revenue	<u>\$ 17,073,893</u>	<u>\$ 17,073,893</u>	<u>\$ 17,987,235</u>	<u>\$ 913,342</u>



LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF EXPENDITURES AND TRANSFERS  
BUDGETARY BASIS  
For the Year Ended June 30, 2018

<u>GENERAL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>
<b>INSTRUCTION:</b>				
Special Programs:				
1250 Less Restricted - Students w/ Disabilities	\$	\$ -	\$ 109,329	\$ 64,291
Total Instruction	<u>206,012</u>	<u>206,012 (1)</u>	<u>109,329</u>	<u>64,291</u>
<b>SUPPORT SERVICES:</b>				
Instructional Staff Support				
2110 Attendance and Social Work			92,789	58,799
2140 Psychological Services			1,675,448	923,278
2160 Other Student Treatment Services			614,678	331,424
2210 Improvement of Instructional Services			62,163	36,219
2220 Educational Media Services			171,477	95,659
2240 Educational Staff Development			-	-
Central Activities Support Services:				
2310 Board of Education Services			-	-
2320 Executive Administration Services			361,415	176,271
2640 Human Resources			311,527	187,405
2660 Technology Services			1,316,013	755,788
Business Support Services:				
2510 Direction of Business Support Services			125,208	73,795
2520 Fiscal Services			226,929	140,825
2540 Operation & Maintenance of Plant Services			144,910	93,091
2570 Internal Services			16,401	12,416
Total Support Services	<u>10,804,445</u>	<u>11,028,614 (1)</u>	<u>5,118,958</u>	<u>2,884,970</u>
6110 Contingency	<u>1,500,000</u>	<u>1,500,000 (1)</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>\$ 12,510,457</u>	<u>\$ 12,734,626</u>	<u>\$ 5,228,287</u>	<u>\$ 2,949,261</u>
Excess of Revenues over, (under)				
Expenditures	<u>4,563,436</u>	<u>4,339,267</u>		
Other Financing Sources, (uses):				
5200 Transfers Out	(6,005,500)	(6,216,106) (1)		
5300 Apportionment of Funds by ESD	<u>(1,300,000)</u>	<u>(1,300,000) (1)</u>		
Total other Financing Sources, (uses)	<u>(7,305,500)</u>	<u>(7,516,106)</u>		
Net Change in Fund Balance	(2,742,064)	(3,176,839)		
Beginning Fund Balance	<u>4,930,000</u>	<u>4,930,000</u>		
Ending Fund Balance	<u>\$ 2,187,936</u>	<u>\$ 1,753,161</u>		

(1) Appropriation Level

<u>PURCHASED SERVICES</u>	<u>SUPPLIES &amp; MATERIALS</u>	<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>	<u>TOTAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
\$ 16,560	\$ 2,955	\$ -	\$ 10,816	\$ 203,951	\$
16,560	2,955	-	10,816	203,951	2,061
4,770	1,412	-	8,835	166,605	
227,883	68,805	-	163,715	3,059,129	
183,691	5,299	-	63,559	1,198,651	
11,741	17,331	-	7,137	134,591	
2,153	2,210	-	8,458	279,957	
15,643	167	-	886	16,696	
105,719	3,029	-	27,536	136,284	
19,100	18,000	-	3,950	578,736	
50,843	22,719	-	2,500	574,994	
297,104	719,112	60,295	170,564	3,318,876	
23,694	687	-	100	223,484	
29,032	24,584	-	97,419	518,789	
181,910	13,213	-	3,690	436,814	
1,817	2,499	-	1,855	34,988	
1,155,100	899,067	60,295	560,204	10,678,594	350,020
-	-	-	-	-	1,500,000
\$ 1,171,660	\$ 902,022	\$ 60,295	\$ 571,020	\$ 10,882,545	\$ 1,852,081
				7,104,690	2,765,423
				(4,815,276)	1,400,830
				(1,300,000)	-
				(6,115,276)	1,400,830
				989,414	4,166,253
				6,417,267	1,487,267
				\$ 7,406,681	\$ 5,653,520

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2018

RESTRICTED REVENUE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
From Local Sources:				
Services to other Local Education Agencies	\$ 56,340	\$ 56,340	\$ 188,343	\$ 132,003
Medicaid	450,000	450,000	59,600	(390,400)
Provided by other Funds within District	-	-	3,500	3,500
Other Miscellaneous	-	-	25,581	25,581
	<u>506,340</u>	<u>506,340</u>	<u>277,024</u>	<u>(229,316)</u>
From Intermediate Sources:				
Restricted Revenue	<u>269,016</u>	<u>269,016</u>	<u>249,245</u>	<u>(19,771)</u>
From State Sources:				
Restricted Revenue	<u>10,041,957</u>	<u>10,041,957</u>	<u>8,883,045</u>	<u>(1,158,912)</u>
From Federal Sources				
Restricted Revenue Paid through State	<u>7,748,007</u>	<u>7,748,007</u>	<u>7,711,984</u>	<u>(36,023)</u>
	<u>18,565,320</u>	<u>18,565,320</u>	<u>17,121,298</u>	<u>(1,444,022)</u>
Total Revenues	<u>\$ 18,565,320</u>	<u>\$ 18,565,320</u>	<u>\$ 17,121,298</u>	<u>\$ (1,444,022)</u>

Continued on pages 42 and 42A

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF EXPENDITURES BY OBJECT  
BUDGETARY BASIS  
For the Year Ended June 30, 2018

RESTRICTED REVENUE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>
INSTRUCTION:				
1220 Special Program for Disabled Students	\$	\$ -	\$ 677,581	\$ 340,692
1260 Early Intervention		-	2,485,185	1,492,673
1280 Alternate Education		-	915,937	536,643
1290 Other Education Programs		-	-	-
	<u>8,618,606</u>	<u>8,618,606</u>	<u>4,078,703</u>	<u>2,370,008</u>
Total Instruction		(1)		
SUPPORT SERVICES:				
2110 Attendance and Social Work Services		-	30,796	19,139
2120 Guidance Services		-	193,304	109,570
2130 Health Services		-	243,154	119,984
2150 Speech Pathology & Audiology Services		-	26,359	12,249
2160 Other Student Treatment Services		-	389,471	220,453
2190 Student Support Services		-	-	-
2210 Instructional Services		-	12,874	489
2240 Instructional Staff Development		-	13,057	5,164
2410 Office of the Principal		-	86,166	46,915
2540 Operation and Maintenance		-	22,678	16,093
2700 Supplemental Retirement Program		-	26,667	30,213
	<u>4,953,010</u>	<u>4,953,010</u>	<u>1,044,526</u>	<u>580,269</u>
Total Support Services		(1)		
Total Expenditures	\$ 13,571,616	\$ 13,571,616	\$ 5,123,229	\$ 2,950,277
Excess of Revenues over, (under) Expenditures	4,993,704	4,993,704		
Other Financing Sources, (uses):				
5200 Transfers In	260,575	260,575		
5200 Transfers Out	(655,540)	(655,540)	(1)	
5300 Apportionment of Funds by ESD	(7,615,793)	(7,615,793)	(1)	
	<u>(8,010,758)</u>	<u>(8,010,758)</u>		
Total Other Funding Sources (uses)				
Net Change in Fund Balance	(3,017,054)	(3,017,054)		
Beginning Fund Balance	<u>3,771,971</u>	<u>3,771,971</u>		
Ending Fund Balance	<u>\$ 754,917</u>	<u>\$ 754,917</u>		

(1) Appropriation Level

<u>PURCHASED SERVICES</u>	<u>SUPPLIES &amp; MATERIALS</u>	<u>CAPITAL OUTLAY</u>	<u>OTHER</u>	<u>TOTAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
\$ 60,167	\$ 24,419	\$ -	\$ 99,257	\$ 1,202,116	\$
474,649	56,538	-	405,812	4,914,857	
158,480	13,830	-	146,240	1,771,130	
-	-	-	-	-	
<u>693,296</u>	<u>94,787</u>	<u>-</u>	<u>651,309</u>	<u>7,888,103</u>	<u>730,503</u>
5,437	321	-	5,012	60,705	
68,027	542	-	80,830	452,273	
156,428	1,442	-	34,892	555,900	
1,816	11,112	3,351	4,940	59,827	
69,613	6,654	-	61,757	747,948	
6,472	1,710	-	736	8,918	
21,370	2,029	-	3,308	40,070	
30,902	12,155	-	4,554	65,832	
8,205	105	-	13,706	155,097	
148,194	3,382	-	16,398	206,745	
-	-	-	-	56,880	
<u>516,464</u>	<u>39,452</u>	<u>3,351</u>	<u>226,133</u>	<u>2,410,195</u>	<u>2,542,815</u>
\$ 1,209,760	\$ 134,239	\$ 3,351	\$ 877,442	\$ 10,298,298	\$ 3,273,318
				6,823,000	1,829,296
				262,101	1,526
				(63,186)	592,354
				<u>(6,523,105)</u>	<u>1,092,688</u>
				<u>(6,324,190)</u>	<u>1,686,568</u>
				498,810	3,515,864
				<u>3,825,394</u>	<u>53,423</u>
				<u>\$ 4,324,204</u>	<u>\$ 3,569,287</u>

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2018

<u>SPECIAL SERVICE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
From Local Sources:				
Contributions	\$ 1,100	\$ 1,100	\$ 3,675	\$ 2,575
Services to other Funds within District	701,074	701,074	602,673	(98,401)
Services to other Local Education Agencies	2,146,539	2,146,539	1,782,494	(364,045)
Medicaid Revenue	60,736	60,736	101,201	40,465
Other Miscellaneous	85,000	85,000	79,954	(5,046)
Total from Local Sources	<u>2,994,449</u>	<u>2,994,449</u>	<u>2,569,997</u>	<u>(424,452)</u>
From State Sources				
Restricted Revenue	<u>-</u>	<u>-</u>	<u>500</u>	<u>500</u>
From Federal Sources:				
Restricted Revenue	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Total Revenues	<u>\$ 3,019,449</u>	<u>\$ 3,019,449</u>	<u>\$ 2,570,497</u>	<u>\$ (448,952)</u>

Continued on pages 44 and 44A

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF EXPENDITURES BY OBJECT  
BUDGETARY BASIS  
For the Year Ended June 30, 2018

<u>SPECIAL SERVICE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>
<b>INSTRUCTION:</b>				
1260 Early Intervention	\$	\$ -	\$ 2,616	\$ 976
1280 Alternative Education		-	-	-
1290 Youth Corrections Education		-	-	-
Total Instruction Services	<u>310,511</u>	<u>310,511</u> (1)	<u>2,616</u>	<u>976</u>
<b>SUPPORT SERVICES:</b>				
2110 Attendance and Social Work Services		-	662,749	376,058
2130 Nurse Services		-	-	-
2140 Psychological		-	451,178	206,082
2150 Speech Pathology Services		-	359,777	163,282
2160 Other Student Treatment Services		-	180,186	95,026
2190 Student Support Services		-	25,001	3,513
2210 Instructional Services		-	137,616	70,167
2220 Multimedia Services		-	-	-
2240 Instructional Staff Development		-	8,665	2,119
2320 Executive Administration		-	-	-
2520 Business Services		-	226,814	152,467
2570 Purchasing		-	-	-
2610 Central Support Services		-	-	-
2640 Staff Services		-	-	-
2660 Technology Services		-	744,299	424,676
Total Support Services	<u>9,641,439</u>	<u>9,641,439</u> (1)	<u>2,796,285</u>	<u>1,493,390</u>
6110 Contingency	<u>3,924,756</u>	<u>3,924,756</u> (1)	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 13,876,706</u>	<u>\$ 13,876,706</u>	<u>\$ 2,798,901</u>	<u>\$ 1,494,366</u>
Excess of Revenues over, (under) Expenditures	(10,857,257)	(10,857,257)		
<b>Other Financing Sources, (uses):</b>				
5200 Transfers In	6,050,465	6,050,465		
5300 Transits	<u>(64,872)</u>	<u>(64,872)</u> (1)		
Total Other Funding Sources, (uses)	<u>5,985,593</u>	<u>5,985,593</u>		
Net Change in Fund Balance	(4,871,664)	(4,871,664)		
Beginning Fund Balance	<u>4,871,664</u>	<u>4,871,664</u>		
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>		

(1) Appropriation Level

<u>PURCHASED SERVICES</u>	<u>SUPPLIES &amp; MATERIALS</u>	<u>CAPITAL OUTLAY</u>	<u>OTHER</u>	<u>TOTAL</u>	<u>VARIANCE BUDGET POSITIVE (NEGATIVE)</u>
\$ 2,161	\$ 3,550	\$ -	\$ 521	\$ 9,824	\$
-	-	-	-	-	
-	-	-	-	-	
<u>2,161</u>	<u>3,550</u>	<u>-</u>	<u>521</u>	<u>9,824</u>	<u>300,687</u>
61,166	8,068	-	62,264	1,170,305	
58,392	-	-	213	58,605	
17,621	4,452	-	38,042	717,375	
15,165	930	-	30,193	569,347	
102,237	5,116	-	21,418	403,983	
1,098	178	-	-	29,790	
4,651	3,185	-	12,071	227,690	
-	113,264	-	6,343	119,607	
20,084	7,467	-	1,223	39,558	
822,617	116,474	-	-	939,091	
25,938	38,941	-	25,535	469,695	
19,561	2,341	-	1,227	23,129	
-	7,158	-	-	7,158	
-	670	-	-	670	
<u>185,999</u>	<u>387,226</u>	<u>1,325</u>	<u>97,637</u>	<u>1,841,162</u>	
<u>1,334,529</u>	<u>695,470</u>	<u>1,325</u>	<u>296,166</u>	<u>6,617,165</u>	<u>3,024,274</u>
-	-	-	-	-	<u>3,924,756</u>
<u>\$ 1,336,690</u>	<u>\$ 699,020</u>	<u>\$ 1,325</u>	<u>\$ 296,687</u>	<u>\$ 6,626,989</u>	<u>\$ 7,249,717</u>
				(4,056,492)	6,800,765
				4,266,361	(1,784,104)
				<u>(39,527)</u>	<u>25,345</u>
				<u>4,226,834</u>	<u>(1,758,759)</u>
				170,342	5,042,006
				<u>5,744,422</u>	<u>872,758</u>
				<u>\$ 5,914,764</u>	<u>\$ 5,914,764</u>



LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SUPPLEMENTARY INFORMATION

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2018

<u>CAPITAL PROJECTS</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Local Source Revenues	\$ 20,000	\$ 20,000	\$ 20,470	\$ 470
Miscellaneous	-	-	6,358	6,358
<b>Total Revenues</b>	<b>20,000</b>	<b>20,000</b>	<b>26,828</b>	<b>6,828</b>
<b>EXPENDITURES:</b>				
Building Acquisition and Construction:				
Purchased Services	250,000	250,000	67,101	182,899
Supplies and Materials	75,000	75,000	6,608	68,392
Capital Outlay	395,000	395,000	122,884	272,116
<b>Total Building Acquisition and Construction</b>	<b>720,000</b>	<b>720,000</b>	(1) <b>196,593</b>	<b>523,407</b>
Contingency	700,000	700,000	(1) -	700,000
<b>Total Expenditures</b>	<b>1,420,000</b>	<b>1,420,000</b>	<b>196,593</b>	<b>1,223,407</b>
Other Financing Sources, (uses)				
5200 Transfers In	350,000	350,000	350,000	-
<b>Total other Financing Sources</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(1,050,000)</b>	<b>(1,050,000)</b>	<b>180,235</b>	<b>1,230,235</b>
<b>Beginning Fund Balance</b>	<b>1,050,000</b>	<b>1,050,000</b>	<b>1,201,371</b>	<b>151,371</b>
<b>Ending Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,381,606</b>	<b>\$ 1,381,606</b>

(1) Appropriation Level

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

2017-2018 AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS



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

We have audited the basic financial statements of the Linn Benton Lincoln Education Service District as of and for the year ended June 30, 2018, and have issued our report thereon dated November 30, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

#### **Compliance**

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

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

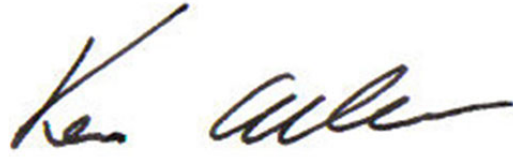
- Deposit of public funds with financial institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of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

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

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

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

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

A handwritten signature in black ink, appearing to read "Ken Allen". The signature is fluid and cursive, with the first name "Ken" and the last name "Allen" clearly distinguishable.

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

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

GRANT COMPLIANCE REVIEW

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year ended June 30, 2018

<u>Program Title</u>	<u>Pass Through Organization</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Period Covered</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of Education</b>						
Title I Grants to Local Educational Agencies						
LTCT-FHS/WR/OMC	ODE	84.013	11005	07/01/17-06/30/19	\$ 101,239	7,674
Total Title I Grants to Local Education Agencies					<u>101,239</u>	<u>7,674</u>
<b>Special Education Cluster</b>						
Special Education Grants to States						
Alsea	ODE	84.027	41549	07/01/16-09/30/18	346	346
Central Linn	ODE	84.027	41554	07/01/16-09/30/18	919	919
Harrisburg	ODE	84.027	41551	07/01/16-09/30/18	1,318	1,318
Monroe	ODE	84.027	41548	07/01/16-09/30/18	652	652
Philomath	ODE	84.027	41550	07/01/16-09/30/18	1,955	1,955
Santiam Canyon	ODE	84.027	41553	07/01/16-09/30/18	5,504	5,504
Scio	ODE	84.027	41552	07/01/16-09/30/18	931	931
Special Education Grants to States						
Alsea	ODE	84.027	45206	07/01/17-09/30/19	29,755	24,755
Central Linn	ODE	84.027	45305	07/01/17-09/30/19	107,673	96,406
Harrisburg	ODE	84.027	45304	07/01/17-09/30/19	129,259	113,361
Monroe	ODE	84.027	45303	07/01/17-09/30/19	86,623	78,486
Santiam Canyon	ODE	84.027	45302	07/01/17-09/30/19	489,380	418,775
Scio	ODE	84.027	45301	07/01/17-09/30/19	120,264	108,872
Special Education Grants to States - IDEA Enhancement	ODE	84.027	42686	10/01/16-09/30/17	1,872	0
Special Education Grants to States - IDEA Enhancement	ODE	84.027	46472	10/01/17-09/30/18	2,651	0
Special Education Grants to States - Extended Assess.	ODE	84.027	46217	7/01/17-06/30/18	4,396	0
Special Education Grants to States-EI/ECSE	ODE	84.027	11113 A1	07/01/17-06/30/21	656,252	197,868
Special Education Grants to States-FHS	ODE	84.027	11005	7/1/2017-6/30/2019	52,809	2,910
Special Education Grants to States						
Benton County	ODE	84.027	46149	07/01/17-06/30/18	2,418	0
Coos County	ODE	84.027	46152	07/01/17-06/30/18	1,980	1,980
Curry County	ODE	84.027	46153	07/01/17-06/30/18	1,180	1,180
Lincoln County	ODE	84.027	46150	07/01/17-06/30/18	2,383	0
Linn County	ODE	84.027	46151	07/01/17-06/30/18	3,378	0
Special Education Grants to States - LTCT SPR&I	ODE	84.027	44423	07/01/17-06/30/18	1,185	0
Special Education Grants to States - Audiology	ODE	84.027	11377 / 46749	07/01/17-06/30/19	85,692	25,865
Special Education Grants to States - Regional Program	ODE	84.027	11044	07/01/17-06/30/19	1,491,198	421,829
Special Education Grants to States-TBI	ODE	84.027	11301 / 47572	07/01/17-06/30/19	19,825	5,000
Total of Special Education Grants to States, CFDA 84.027					<u>3,301,797</u>	<u>1,508,914</u>
Special Education Preschool Grants						
Central Linn	ODE	84.173	45436	07/01/17-09/30/19	2,773	2,773
Harrisburg	ODE	84.173	45433	07/01/17-09/30/19	257	257
Monroe	ODE	84.173	45431	07/01/17-09/30/19	728	728
Philomath	ODE	84.173	45432	07/01/17-09/30/19	3,154	3,154
Santiam Canyon	ODE	84.173	45435	07/01/17-09/30/19	1,819	1,819
Scio	ODE	84.173	45434	07/01/17-09/30/19	970	970
Special Education Preschool Grants - EI/ECSE	ODE	84.173	11113 A1	07/01/17-06/30/21	142,856	43,081
Special Education Preschool Grants - EC Summer Institute	ODE	84.173	43952	07/01/17-9/30/17	1,514	0
Special Education Preschool Grants - EC Summer Institute	ODE	84.173	11667	5/22/18-9/30/18	22,280	0
Special Education Preschool Grants - LICC	ODE	84.173	48371	07/01/17-06/30/18	750.00	300
Special Education Preschool Grants - PBIS	ODE	84.173	46741	07/24/17-06/30/18	15,000.00	0

LINN BENTON LINCOLN EDUCATION SERVICE DISTRICT  
ALBANY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year ended June 30, 2018

<u>Program Title</u>	<u>Pass Through Organization</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Period Covered</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
Special Ed Cluster Continued:						
Special Education Preschool Grants - CPS	ODE	84.173	48087	07/01/17-09/30/18	9,716.66	0
Total of Special Education Preschool Grants, CFDA 84.173					<u>201,818</u>	<u>53,082</u>
Special Education-Grants for Infants & Families - EI/ECSE	ODE	84.181	11113 A1	07/01/17-06/30/21	307,229	43,573
Special Education Preschool Grants - EC Summer Institute	ODE	84.181	84.181	5/22/18-9/30/18	2,720	0
Special Education-Grants for Infants & Families - LICC	ODE	84.181	48371	07/01/17-06/30/18	750	300
Total of Special Education--Grants for Infants and Families, CFDA 84.181					<u>310,699</u>	<u>43,873</u>
Total Special Education Cluster					<u>3,814,314</u>	<u>1,605,868</u>
Rehabilitation Services/Voc Rehab Grants to States - TNF	ODE	84.126	10201 A6	07/01/17-06/30/19	113,993	0
Total of Rehabilitaton Services/Vocational Rehabilitaiton Grants to States, CFDA # 84.126					<u>113,993</u>	<u>0</u>
<b>Total U.S. Department of Education</b>					4,029,546	1,613,543
<b>State of Oregon--Department of Human Services, Vocational Rehabilitation</b>						
Rehabilitation Services/Voc Rehab Grants to States - YTP	State of Oregon	84.126A	154920	07/01/17-06/30/19	101,750	0
<b>Total State of Oregon</b>					<u>101,750</u>	<u>0</u>
<b>Total Grants Expended and Passed Through to Subrecipients</b>					<u>4,131,296</u>	<u>1,613,543</u>
					Federal Grant Expenditures Above	4,131,296
					Medicaid Payments (District is vendor.)	3,572,688
					Timing Difference	8,000
					<u>8,000</u>	
					<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>	<u>\$ 7,711,984</u>





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

November 30, 2018

To the Board of Directors  
Linn Benton Lincoln Education Service District

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Linn Benton Lincoln Education Service District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 30, 2018.

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink, appearing to read "Ken Allen". The signature is fluid and cursive, with a large initial "K" and a long horizontal stroke at the end.

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



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November 30, 2018

To the Board of Directors  
Linn Benton Lincoln Education Service District

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

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

We have audited Linn Benton Lincoln Education Service District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2018. The major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

**Opinion on Each Major Federal Program**

In our opinion, Linn Benton Lincoln Education Service District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

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

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

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

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



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

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LINN-BENTON-LINCOLN EDUCATION SERVICE DISTRICT

SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS AND QUESTIONED COSTS  
RELATIVE TO FEDERAL AWARDS AND NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS

For the Year Ended June 30, 2018

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

**FINANCIAL STATEMENTS**

Type of auditors’ report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes  no

Significant deficiency(s) identified that are not considered  
to be material weaknesses?

yes  none reported

Noncompliance material to financial statements noted?

yes  no

Any GAGAS audit findings disclosed that are required to be reported in  
accordance with the Uniform Guidance?

yes  no

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified?

yes  no

Significant deficiency(s) identified that are not considered  
to be material weaknesses?

yes  none reported

Type of auditors’ report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance  
with the Uniform Guidance?

yes  no

**IDENTIFICATION OF MAJOR PROGRAMS**

**CFDA NUMBER**

**NAME OF FEDERAL PROGRAM CLUSTER**

84.027, 84.173

Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? Yes

LINN-BENTON-LINCOLN EDUCATION SERVICE DISTRICT

SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS AND QUESTIONED COSTS  
RELATIVE TO FEDERAL AWARDS AND NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS

For the Year Ended June 30, 2018

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:**

None

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes federal grant activity under programs of the federal government. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the net position, changes in net position, or cash flows of the entity.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The entity has not elected to use the ten percent de minimus indirect cost rate as allowed under Uniform Guidance, due to the fact that it already has a negotiated indirect cost rate with Oregon Department of Education, and thus is not allowed to use the de minimus rate.

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

**SUPPLEMENTAL INFORMATION  
As Required by The Oregon Department of Education  
For The Year Ended June 30, 2018**

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<b>A.</b>	Energy bills for heating - all funds:		Objects 325 and 326
		Function 2540	\$ 109,715
		Function 2550	\$ -

<b>B.</b>	Replacement of equipment - General Fund:		
	Include all General Fund expenditures in Object 542, except for the following exclusions:		Amount
	Exclude these functions:		
	1113, 1122 & 1132	Co-curricular activities 4150	Construction \$ -
	1140	Pre-kindergarten 2550	Pupil transportation
	1300	Continuing education 3100	Food service
	1400	Summer school 3300	Community services



