

COQUILLE SCHOOL DISTRICT NO. 8
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

COQUILLE SCHOOL DISTRICT NO. 8
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
DISTRICT OFFICIALS	1
FINANCIAL SECTION	
Independent Auditor's Report	2 – 4
Management's Discussion and Analysis	5 – 9
BASIC FINANCIAL STATEMENTS	
Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	15
Statement of Fiduciary Net Position	16
Statement of Changes in Fiduciary Net Position	17
Notes to the Basic Financial Statements	18 – 35
REQUIRED SUPPLEMENTARY INFORMATION	
Major Funds:	36
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
General Fund	37
Special Grant Fund	38

SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance -- Budget and Actual -- Major Fund:

Capital Projects Fund	39
Nonmajor Funds:	40
Combining Balance Sheet -- Nonmajor Governmental Funds	41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -- Nonmajor Governmental Funds	42
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -- Nonmajor Governmental Funds	
Debt Service Fund	43
Permanent Fund Hanley Trust	44
Fiduciary Funds:	45
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -- Fiduciary Funds	
Private Purpose Trust Fund -- Hupperich Trust	46
Alumni Agency Fund	47
Schedule of Expenditures of Federal Awards	48 - 49
Notes to the Schedule of Expenditures of Federal Awards	50

OTHER INFORMATION

Summary of Prior Audit Findings Related to Federal Awards	51
Corrective Action Plan Related to Federal Awards	52
Oregon Department of Education Supplemental Information	53 – 64

AUDITOR'S REPORTS

Report on Internal Control and on Compliance and Other Matters -- Government Auditing Standards	65 – 66
Report of Independent Auditor's Required By Oregon State Regulations	67 – 69
Report on Compliance and Internal Control in Accordance with The Uniform Guidance	70 – 71
Schedule of Findings and Questioned Costs	72 – 73

DISTRICT OFFICIALS

COQUILLE SCHOOL DISTRICT NO. 8
DISTRICT OFFICIALS
June 30, 2016

BOARD OF DIRECTORS

Cliff Wheeler, Chair
340 South Adams Street
Coquille, OR 97423

Steve Britton
P.O. Box 132
Coquille, OR 97423

Traci GeDeros
54210 Lampa Creek Road
Coquille, OR 97423

Heather Echavarria
1101 East 15th Street
Coquille, OR 97423

Larry Payne
60179 Fairview Road
Coquille, OR 97423

Misty Thrash
697 South 1st Avenue
Coquille, OR 97423

Roy Wright
94502 Smokey Lane
Coquille, OR 97423

Tim Sweeney, Superintendent

Teri Pointer, Business Manager

Coquille School District No. 8
1366 N. Gould Street
Coquille, Oregon 97423

Telephone: (541) 396-2181

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

December 19, 2016

To the Board of Directors of Coquille School District No. 8

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Coquille School District No. 8, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified
Special Grant Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities

The District has chosen to not adopt Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is required by accounting principles generally accepted in the United States of America. Because the District did not determine the amount of their liability under GASB Statement No. 45, the effect on the Statement of Net Position and the Statement of Activities cannot be determined.

The District has also chosen to not adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27*. This statement provides guidance for reporting net pension liability to improve accounting and financial reporting for pensions. This statement is required by accounting principles generally accepted in the United States of America. Due to the fact that the District did not implement GASB Statement No. 68, the effect on the Statement of Net Position and the Statement of Activities cannot be determined.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of not implementing GASB Statements No. 45 and No. 68, as discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Coquille School District No. 8 as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the General Fund, Special Grant Fund and the Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Coquille School District No. 8 as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information for the General Fund and Special Grant Fund 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 GASB, 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 applied certain limited procedures to the management's discussion and analysis 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 budget and actual schedules for the General Fund and major Special Grant Fund, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coquille School District No. 8's basic financial statements. The supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Financial Awards, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Expenditures of Federal Financial Awards is required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information and the Schedule of Expenditures of Federal Financial Awards 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 and other 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. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

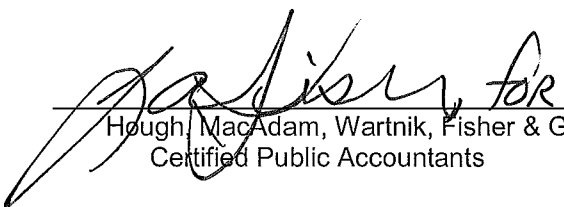
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coquille School District No. 8's basic financial statements. The Oregon Department of Education Supplemental 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 Oregon Department of Education Supplemental Information is required by the Oregon Department of Education. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards* and Oregon Revised Statutes

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, on our consideration of Coquille School District No. 8's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coquille School District's internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 19, 2016, on our consideration of the Coquille School District's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 to 162-10-320. 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.



Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
Certified Public Accountants

**COQUILLE SCHOOL DISTRICT 8
COOS COUNTY,
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Year Ended June 30, 2016**

This section of Coquille School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. The intent of the Management Discussion and Analysis (MD&A) is to look at the school district's financial performance as a whole. With this in mind, please also refer to the District's financial statements, which immediately follow this section.

Financial Variances from the Prior Year

There were some significant variances in revenues, expenditures and changes in fund balance from the prior year. The General Fund, as discussed in more detail later, had revenue of approximately \$8.9 million (excluding the beginning fund balance), an increase of approximately \$575 thousand from the prior year. This increase was primarily made up of State School Fund and the continued support of the QZAB (Quality Zone Academy Bond) to help reduce our maintenance costs. Current and Prior year taxes came in at \$24 thousand less than projected, however, the majority of this will be paid back to the district in May of 2017. General Fund expenditures have also increased as the district continues grow, causing an increase in staffing and the district also continues to offer new learning opportunities for students. General Fund expenses were approximately \$8.6 million, an increase of about \$650 thousand from the prior year. These were planned budgeted changes and consisted in part of roll up costs, adding staff due to the increased student count, moving staff from Title and IDEA grants to the general fund due to a reduction in the grant allocations and increasing the cost of power and water. As a result of the change in margins between expenditures and revenue, the ending fund balance had an upward change of approximately \$102 thousand

Special Grant Fund revenues were down approximately \$205 thousand overall from the prior year. Expenditures were down approximately \$183 thousand. There was an upward net change in the fund balance of \$99 thousand. The overall net changes to these funds are due primarily to miscellaneous grants moving in/out, fluctuations in Student Body & Food Service and the amount transferred in from the general fund for athletics.

The Capital Projects Fund ending fund balance was approximately \$204 thousand. This was an decrease of approx. \$708 thousand over prior year. This decrease of ending fund balance is due to the finishing of previous projects being funded by QZAB dollars received in the 14/15 fiscal year.

The Permanent and Fiduciary Funds and Agency fund decreased in the 15/16 year by approximately \$46 thousand. This was due to the boards' decision to move approximately \$45 thousand of alumni monies to the Oregon Community Foundation for investment purposes.

Statement of Net Position and the Statement of Activities

While this document contains financial statements for each of the individual funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year ending June 30, 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's Net Position and changes in those assets. This change in Net Position is important because it tells the reader whether, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include economic conditions, mandated educational programs, enrollment levels, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where all of the School District's programs and services are reported including instruction, support services and community services. The School District does not have any business like activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses several funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Special Grant Fund, and the Capital Projects Fund.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a comparative summary of the School District's Net Position for the years ending June 30, 2015 and 2016.

Table 1
Net Position

	<u>6/30/2015</u>	<u>6/30/2016</u>
Assets:		
Current and other assets	\$ 4,110,119	\$ 2,294,393
Capital assets	<u>6,602,656</u>	<u>7,080,408</u>
Total assets	<u>10,712,775</u>	<u>9,374,801</u>
Deferred Outflows of Resources		
Deferred amounts on refunding of bonds	<u>92,088</u>	<u>78,159</u>
Liabilities:		
Current liabilities	2,548,460	1,255,569
Long-term liabilities	<u>5,705,578</u>	<u>5,166,962</u>
Total liabilities	<u>8,254,038</u>	<u>6,422,531</u>
Net Position:		
Invested in capital assets, net of related debt	331,435	1,374,115
Restricted	1,141,838	513,813
Restricted - unexpendable	36,052	-
Unrestricted	<u>1,041,500</u>	<u>1,142,501</u>
Total Net Position	<u>\$ 2,550,825</u>	<u>\$ 3,030,429</u>

Table 2 shows the changes in Net Position for the year ending June 30, 2015 and 2016.

Table 2
Changes in Net Position

	<u>2015</u>	<u>2016</u>
REVENUES:		
Program revenues:		
Charges for services and contracts	\$ 837,232	\$ 573,351
Operating grants and contributions	1,504,697	1,578,932
General revenue:		
Property taxes	2,152,734	2,236,770
Federal, State & local sources	5,854,474	6,361,135
Earnings on investments	22,338	17,485
Gain (loss) on disposal of capital assets	<u>(1,867)</u>	<u>(2,082)</u>
Total Revenues	<u>10,369,608</u>	<u>10,765,591</u>
EXPENSES:		
Instruction	5,122,050	5,747,102
Support services	3,880,145	3,495,814
Community services	736,992	578,044
Facility acquisition and construction	359,434	39,954
Interest on long-term debt	169,903	157,971
Unallocated amortization	13,929	13,929
Unallocated depreciation	<u>188,367</u>	<u>253,173</u>
Total Expenses	<u>10,470,820</u>	<u>10,285,987</u>
Increase (decrease) in net assets	(101,212)	479,604
Net Position - beginning	<u>2,652,037</u>	<u>2,550,825</u>
Net Position - ending	<u><u>\$ 2,550,825</u></u>	<u><u>\$ 3,030,429</u></u>

The Statement of Activities shows the cost of program services and the revenues received for charges for services and grants that offset those services for the year ending June 30, 2016.

Instruction expense includes students and instructional staff expenses directly dealing with the teaching of students and the interaction between teacher and student, and the activities involved with assisting staff with the content and process of teaching to students.

Supporting services includes general, school, and business administration expenses associated with administration of the District as a whole, the administration of the schools individually, and with the fiscal and financial supervision of the district. This also includes activities associated with upgrading and replacing technological equipment and operation and maintenance of the school grounds, buildings, and equipment.

Capital acquisition and construction includes construction and major renovation of building and equipment.

Community services include expenses related to food service costs and scholarship awards.

The School District's Funds

Information about the School District's major funds revenues and expenditures is on page 12. These funds are accounted for using the modified accrual basis of accounting. Excluding debt refinancing and sales of capital assets, the General Fund had total revenues of \$8,917,704 and expenditures of \$8,640,808. After transfers, debt service, and sale of assets, the net change in fund balance for the year in the General Fund was an increase of \$101,946.

The change in fund balance for Special Grant Fund was an increase of approximately \$99 thousand, which was due primarily to the change in Food Service and a transfer to Athletics from the General Fund.

The Capital Projects Fund had carryover revenues of \$204 thousand.

General Fund Budgeting Highlights

The School District's budget is prepared according to Oregon law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The adopted budget as amended for the General Fund was \$8,680,699, of which \$508,764 was the beginning fund balance. The actual beginning fund balance was \$659,029.

Capital Assets

At the end of the fiscal year 2016, the School District had a net investment of \$7,080,408 in land, land improvements, buildings, equipment, and vehicles.

Debt Administration and Outstanding Debt

The School District has several outstanding debt obligations. One is a general obligation bond issue, which was approved by the voters in 2001. These bonds are required to be paid within no more than 20 years from the date of issue and are backed by the full faith and credit of the District. The proceeds from the bond were used to expand and improve the District's facilities, which the District has completed. On October 6, 2005, a portion of the bonds maturing June 15 in the years 2006 through 2021 were refinanced (2005 Advanced Refunding of 2001 GO Bonds). The remaining bond now matures in 2021 with a 16/17 payment due of \$329,188. The district has two outstanding QZAB loans. This is an almost interest "free to the district" loan (the interest is subsidized by the federal government) that will be repaid over the course of 19 years. The loan matures in 2030 with an annual payment due of \$56,944.44. The district made a bus lease purchase in 11/12 in the amount of \$104,478 and a land purchase in the amount of \$88,842. In July of 2015, the district secured a QZAB loan of \$3.7 million. These monies were to replace the roofs of Lincoln Early Learning Center, Coquille Valley Elementary and Coquille Jr/Sr High and that work has been completed. With the remaining funds, the district was able to take care of many deferred maintenance issues around the district including replacing chain link fencing and repairing asphalt at all school buildings. In July of 2016, the district secured another QZAB loan of \$1.5 million. With strategic planning in the area of maintenance, this allowed the district to replace its very aging bus fleet with 8 buses and 2 staff/student vans. The total of the outstanding long term debt (principal) at the end of the 15/16 year was approximately \$5.7 million.

On June 30, 2016 the balance owing on all long-term debt was approximately \$5.7 million. The School District's overall legal debt margin is approximately \$33 million, so they are well within the prescribed boundaries.

Current Financial Issues and Concerns

The student population of Coquille School District continues to increase. Winter Lakes School continues to offer choices to previously disengaged students. Coquille Jr/Sr High, Coquille Valley Elementary and Lincoln School of Early Learning continue to grow and provide excellent choices for students. Our current financial concerns have to do with the 17/18 fiscal year.

There are a number of issues in the works that would greatly impact the cost of doing business for the district.

- **PERS.** The unfunded liability continues to increase. The current estimate is that the PERS percentage will need to increase by 5% for each biennium for the next 3 biennium's (or 6 years). This is over a \$220K increase to the current PERS contribution.
- **SENATE BILLS.** Currently, there is uncertainty about how a number of recently passed Senate Bills (98 & 100) are going to impact the State School Fund. It is currently being discussed at the State level that the governor is working to minimize the impact to SSF, however for SB98 (CTE) there is a possible impact of \$800 per high school student. At this time that would equate to an approximate \$300k hit to the district.

In conclusion, the Coquille School District No. 8 continues to be dedicated to academic excellence and financial responsibility. We are continuing to be proactive to take advantage of any partnership opportunities that could save the district money. The District will start the 17/18 budgeting process in January of 2017 in order to try and get an early idea of what our resources will be. The School District will continue to maintain sound fiscal management and encourage staff at all levels to seek ways to stretch our resources while providing daily opportunities for students to grow personally as well as academically.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Teri Pointer, Business Manager, Coquille School District No. 8, 1366 N. Gould St, Coquille, OR 97423, 541-396-2181 or tpointer@coquille.k12.or.us.

BASIC FINANCIAL STATEMENTS

COQUILLE SCHOOL DISTRICT NO. 8
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,761,118
Receivables:	
Accounts	5,176
Intergovernmental	245,984
Property taxes	247,756
Prepaid expenses	13,631
Inventory	20,685
Restricted assets - cash and investments	
Temporarily restricted - permanent trust	43
Capital assets:	
Land	337,371
Depreciable assets net of depreciation	<u>6,743,037</u>
Total assets	<u>9,374,801</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding of bonds	<u>78,159</u>
LIABILITIES	
Accounts payable	47,161
Accrued payroll and benefits	555,986
Intergovernmental payable	77,670
Accrued interest payable	3,908
Compensated absences payable	31,513
Capital leases	
Amount due within one year	7,387
Amount due after one year	970
Long-term debt	
Amount due within one year	531,944
Amount due after one year	<u>5,165,992</u>
Total liabilities	<u>6,422,531</u>
NET POSITION	
Net investment in capital assets	1,374,115
Expendable, restricted for:	
Capital projects	168,028
Specific educational purposes	345,742
Scholarships	43
Unrestricted	<u>1,142,501</u>
Total net position	<u><u>\$ 3,030,429</u></u>

The notes to the basic financial statements are an integral part of this statement.

COQUILLE SCHOOL DISTRICT NO. 8
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services & Contracts	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 5,747,102	\$ 483,238	\$ 638,507	\$ -	\$ (4,625,357)
Supporting services	3,495,814	90,113	455,984	-	(2,949,717)
Community services	578,044	-	484,441	-	(93,603)
Facilities acquisition and const.	39,954	-	-	-	(39,954)
Interest on long-term debt*	157,971	-	-	-	(157,971)
Unallocated amortization*	13,929	-	-	-	(13,929)
Unallocated depreciation*	253,173	-	-	-	(253,173)
Total governmental activities	\$ 10,285,987	\$ 573,351	\$ 1,578,932	\$ -	(8,133,704)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,915,570
Property taxes, levied for debt service					321,200
Federal and State aid not restricted to specific purposes					6,361,135
Interest and investment earnings					17,485
Gain (loss) on disposal of capital assets					(2,082)
Total general revenues					8,613,308
Changes in net assets					479,604
Net position - beginning					2,550,825
Net position - ending					\$ 3,030,429

* depreciation, amortization and interest expense are not allocated

The notes to the basic financial statements are an integral part of this statement.

COQUILLE SCHOOL DISTRICT NO. 8
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	Major Funds			Nonmajor	
	General	Special Grant	Capital Projects	Funds	Total
ASSETS					
Cash and cash equivalents	\$ 1,283,836	\$ 190,241	\$ 206,055	\$ 81,029	\$ 1,761,161
Receivables:					
Accounts	1,285	1,845	-	2,046	5,176
Intergovernmental	105,160	140,824	-	-	245,984
Property taxes - current	27,819	-	-	4,663	32,482
Property taxes - noncurrent	183,993	-	-	31,281	215,274
Prepaid expenses	13,631	-	-	-	13,631
Inventory	-	20,685	-	-	20,685
Total assets and other debits	<u>\$ 1,615,724</u>	<u>\$ 353,595</u>	<u>\$ 206,055</u>	<u>\$ 119,019</u>	<u>\$ 2,294,393</u>
LIABILITIES					
Accounts payable	\$ 37,100	\$ 7,853	\$ 2,208	\$ -	\$ 47,161
Payroll and benefits payable	555,986	-	-	-	555,986
Intergovernmental payable	77,670	-	-	-	77,670
Total liabilities	<u>670,756</u>	<u>7,853</u>	<u>2,208</u>	<u>-</u>	<u>680,817</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>183,993</u>	<u>-</u>	<u>-</u>	<u>31,281</u>	<u>215,274</u>
FUND BALANCES					
Nonspendable	-	20,685	-	-	20,685
Restricted	-	325,057	168,028	87,738	580,823
Committed	-	-	35,819	-	35,819
Assigned	210,000	-	-	-	210,000
Unassigned	550,975	-	-	-	550,975
Total fund balances	<u>760,975</u>	<u>345,742</u>	<u>203,847</u>	<u>87,738</u>	<u>1,398,302</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,615,724</u>	<u>\$ 353,595</u>	<u>\$ 206,055</u>	<u>\$ 119,019</u>	<u>\$ 2,294,393</u>

The notes to the basic financial statements are an integral part of this statement.

COQUILLE SCHOOL DISTRICT NO. 8
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Total fund balances - governmental funds **\$ 1,398,302**

Amounts report for governmental activities in the Statement of Net Position are different because:

Capital assets used in government activities are not current financial resources and, therefore, are not reported in the fund financial statements. These assets consist of:

Land	\$	337,371
Buildings, equipment and vehicles		12,287,464
Less accumulated depreciation on capital assets		<u>(5,544,427)</u>

7,080,408

Certain assets reported in the Statement of Net Position are not current financial resources and are not reported in the fund financial statements.

Deferred bond refunding amounts (net)		<u>78,159</u>
---------------------------------------	--	---------------

78,159

The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.

Property taxes		215,274
----------------	--	---------

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:

Long-term debt - General Obligation Bonds		(1,555,000)
2012 QZAB bonds		(797,936)
2014 QZAB bonds		(3,345,000)
Capital leases payable		(8,357)
Accrued interest on long-term debt		(3,908)
Compensated absences		<u>(31,513)</u>

(5,741,714)

Total net position - governmental activities		<u><u>\$ 3,030,429</u></u>
---	--	-----------------------------------

The notes to the basic financial statements are an integral part of this statement.

COQUILLE SCHOOL DISTRICT NO. 8
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	Major Funds				
	General	Special Grant	Capital Projects	Nonmajor Funds	Total
Revenues:					
Property taxes	\$ 1,910,418	\$ -	\$ -	\$ 320,352	\$ 2,230,770
Charges for services	255,000	74,595	9,520	-	339,115
Curricular activities	11,129	188,491	-	-	199,620
Earnings on investments	15,314	243	-	125	15,682
Other	68,593	98,705	-	2,046	169,344
County and intermediate sources	11,027	112,424	-	-	123,451
State school fund	6,246,142	-	-	-	6,246,142
State grants and other funding	349,145	95,840	-	-	444,985
Federal interest subsidy	44,064	-	-	-	44,064
Federal grants	6,872	941,628	-	-	948,500
Total revenues	8,917,704	1,511,926	9,520	322,523	10,761,673
Expenditures:					
Current:					
Instruction	4,894,523	867,103	7,582	-	5,769,208
Supporting services	3,354,503	191,368	37,825	-	3,583,696
Community services	-	532,572	-	-	532,572
Facilities acquisition and construction	-	-	672,456	-	672,456
Debt service	391,782	-	-	323,495	715,277
Total expenditures	8,640,808	1,591,043	717,863	323,495	11,273,209
Excess (deficiency) of revenues over (under) expenditures	276,896	(79,117)	(708,343)	(972)	(511,536)
Other financing sources (uses):					
Transfer in	1,100	178,150	-	(45,472)	133,778
Transfer out	(178,150)	(1,100)	-	-	(179,250)
Sale of assets	2,100	1,200	-	-	3,300
Total other financing sources (uses)	(174,950)	178,250	-	(45,472)	(42,172)
Net changes in fund balances	101,946	99,133	(708,343)	(46,444)	(553,708)
Fund balances, beginning of year	659,029	246,609	912,190	134,182	1,952,010
Fund balances, end of year	\$ 760,975	\$ 345,742	\$ 203,847	\$ 87,738	\$ 1,398,302

The notes to the basic financial statements are an integral part of this statement.

Coquille School District No. 8
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Total net change in fund balances - governmental funds **\$ (553,708)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.

Property taxes	6,000
----------------	-------

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, these costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount of depreciation and capital outlay expenditures for the year.

Depreciation	\$ (253,173)	
Capital outlay	736,307	
Gain (Loss) on disposition of capital assets	<u>(2,082)</u>	481,052

The issuance of long-term debt and proceeds of capital leasing provides current financial resources to the governmental funds while the repayment of long-term debt and capital leases consumes the current financial resources. However, neither has any affect on the Statement of Activities.

Amortization of deferred payment on bond refunding	(13,929)	
Principal payments on loan	18,687	
Principal payments on refinanced General Obligation Bonds	516,229	
Principal payments on capital lease	<u>30,012</u>	550,999

In the governmental funds, the proceeds from the sale of capital assets is reported, However, the Statement of Activities reports the net gain (loss) of such sales.	(3,300)
--	---------

Some items reported in the Statement of Activities do not require the use of current financial resources or may not be available as a current financial resource and therefore, are not reported as expenditures or resources in governmental funds.

Change in accrued interest payable	504	
Change in compensated absences	<u>(1,943)</u>	<u>(1,439)</u>

Change in net position of governmental activities	<u>\$ 479,604</u>
--	--------------------------

The notes to the basic financial statements are an integral part of this statement.

COQUILLE SCHOOL DISTRICT NO. 8
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	<u>Private Purpose Trust Fund</u>	<u>Alumni Agency Fund</u>
ASSETS		
Cash and cash equivalents	<u>\$ 110</u>	<u>\$ 5,115</u>
LIABILITIES		
Due to others	<u> -</u>	<u>\$ 5,115</u>
NET POSITION		
Held in trust for scholarships - expendable	<u>\$ 110</u>	

The notes to the basic financial statements are an integral part of this statement.

COQUILLE SCHOOL DISTRICT NO. 8
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
For the Fiscal Year Ended June 30, 2016

	<u>Actual</u>
Additions:	
Interest	<u>\$ 19</u>
Expenditures:	
Current:	
Community services	<u>17,493</u>
Change in net position held in trust for scholarships	(17,474)
Net position beginning of year	<u>17,584</u>
Net position end of year	<u><u>\$ 110</u></u>

The notes to the basic financial statements are an integral part of this statement.

COQUILLE SCHOOL DISTRICT NO. 8
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Coquille School District No. 8 (District), located in Coos County, Oregon, was organized under Oregon statutes pursuant to Oregon Revised Statutes (ORS) Chapter 332 for the purpose of operating elementary and secondary schools. The District is governed by an elected seven-member Board of Directors. The Superintendent is the District Clerk and is responsible to the Board of Directors.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. Based on the application of the criteria established by the Governmental Accounting Standards Board (GASB), there are no potential component units of the District.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of Coquille School District No. 8 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

1. Basis of Presentation

District-wide Financial Statements. The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government. Fiduciary funds are not included in the District-wide financial statements.

Governmental activities – The District's programs are reported in this category, including Instruction, Supporting Services, Community Services, and Capital Acquisition/Construction. Property taxes and state and federal grants are the primary sources that finance these activities.

The District-wide statements are prepared using the economic resources measurement focus and are reported on the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the District-wide statements and the statements for governmental funds. Transactions between funds, such as transfers and loans, are eliminated in the District-wide statements.

The District-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses such as interest and depreciation are not allocated across functions, as they are not specifically associated with a particular service, program or department.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the District; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the susceptible to accrual criteria are met.

Fund Financial Statements. Fund financial statements report detailed information about the District. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Separate financial statements are provided for governmental funds. Major individual funds are reported as separate columns in the fund financial statements.

The financial statements for the governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

2. Fund Accounting

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. A minimum number of funds are maintained consistent with legal and managerial requirements.

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 taxes, other taxes and charges for services are susceptible to accrual if received within 30 days of fiscal year end. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims of judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

The District reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for and reports on all financial resources of the general government, except those required to be accounted for in another fund. Resources consist of property taxes, state school support and other various revenues sources.

Special Grant Fund – The Special Grant Fund accounts for and reports on revenue sources that are legally restricted to expenditure for specific purposes, as well as revenues received and expenditures made for athletics, professional growth, food service, scholarships and student activities. Federal grants, fees, charges for service and interest earnings are the major sources of revenue.

Capital Projects Fund - This fund accounts for and reports on the acquisition of capital assets or construction of major capital projects not being financed by the General Fund. The major sources of revenue are proceeds from the sale of capital assets, bond or loan proceeds, and interest earnings.

Additionally, the District reports the following fund types:

Debt Service Fund – This fund accounts for and reports on servicing of long-term debt. Resources are provided by property tax receipts and interest earnings.

Permanent Fund – This fund accounts for and reports on the contributions received from the Hanley Trust. This fund is legally restricted to the extent that only earnings, not principal, may be used to support any of the District's programs. Principal of \$45,472 was transferred to the Oregon Community Foundation during the fiscal year in order to increase earnings. Remaining funds in the account are earnings eligible for use by the District.

Fiduciary funds account for and report on assets held by the District in a trustee capacity or as an agent on behalf of others. Funds of this type are accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting.

The Hupperich Trust, a private purpose trust fund, accounts for and reports assets of which only the earnings may be spent on scholarships.

The *Agency Fund* accounts for assets held by the District in a purely custodial capacity.

C. Assets, Liabilities and Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments in the Oregon State Treasury Local Government Investment Pool (LGIP).

All cash and cash equivalents are carried at amortized cost, which approximates fair value. The District maintains merged bank accounts for its funds in a central pool of cash and cash equivalents.

The investment policy of the District is to invest in LGIP and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments authorized for municipal corporations. The District allocates interest to the General Fund, the Special Grant Fund, the Hanley Trust Fund and the Hupperich Trust Fund based on average monthly cash balances.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. Other receivables including property taxes, accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph B above.

3. Inventories

With the exception of food service inventories, physical inventories are taken for control purposes only with no dollar value assigned. Accordingly, with the exception of food service inventories, a value is not included on the balance sheet.

Food inventory of \$20,685 reflected in the Special Revenue Funds is reported at the lower of cost or market value as of June 30, 2016. This inventory consists of commodities received through the U.S.D.A. Food Distribution Program, as well as those purchased from local vendors. The cost of this inventory is recorded as an expenditure when consumed rather than when purchased. Food Service Fund inventories are displayed as nonspendable on the balance sheet, which indicates they do not constitute available spendable resources, even though they are a component of the ending fund balance.

4. Capital Assets

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the District-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Capital assets are defined by the District as assets with an initial individual cost of \$5,000 or more and an initial useful life of more than a single reporting period. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	10 - 40 years
Buildings	20 - 100 years
Equipment	5 - 25 years
Vehicles	10 - 15 years

5. *Compensated Absences*

Vested or accumulated vacation leave is reported on the District-wide financial statements. No expenditure is reported for these amounts in the fund financial statements and they are reported as liabilities on the District-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as the result of employee resignations and retirements. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The governmental fund typically used in prior years to liquidate the liability for compensated absences has been the General Fund.

6. *Long-term Obligations*

The District reports long-term debt of governmental activities at face value in the District-wide Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources.

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has one type of item that qualifies for reporting in this category. It is the deferred charge on refunded bonds reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of deferred inflows, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes.

8. *Use of Estimates*

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

9. *Net Position*

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements.

Government-wide net position is divided into three components:

Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position - consists of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – all other net position is reported in this category.

10. *Fund Equity*

Fund balance classifications are comprised of a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

In the fund financial statements, fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the local, state or federal laws, or externally imposed conditions by grantors, creditors or enabling legislation.

Committed—Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned—Amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Intent must be expressed by the Board of Directors or their authorized designee. The Board of Directors has not appointed an authorized designee.

Unassigned—All amounts not included in other classifications.

The amounts in the various categories of fund balance are included in the governmental funds balance sheet. As discussed in Note 1 B.2 restricted funds are used first as appropriate. Decreases to the remaining fund balance categories first reduce committed fund balance, followed by assigned fund balance, then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of those fund balance classifications could be used.

11. New Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application*. Issued February 2015, this statement establishes accounting and financial reporting standards for fair value measurements, the level of fair value hierarchy, and valuation techniques. GASB Statement No. 72 was effective for the District as of fiscal year ending June 30, 2016.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Issued June 2015, this statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 76 was effective for the District for the fiscal year ending June 30, 2016.

The District anticipates no financial impact as a result of implementing these statements.

12. New Accounting Pronouncements Upcoming

The District will implement new GASB pronouncements in the fiscal year no later than the required effective date. Management has not yet determined the effect on the financial statements from implementing any of the following pronouncements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes accounting and financial reporting requirements related to pensions provided by governments that are not within the scope of GASB Statement No. 68, extending that approach to all pensions. The statement is effective for fiscal years beginning after June 15, 2016. Management does not expect this statement to have a financial impact on the District.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement establishes accounting and financial reporting requirements related to other postemployment benefits (OPEB), replacing GASB Statements No. 45 and No. 57. The statement is effective for fiscal years beginning after June 15, 2017. Management has not yet determined the financial impact of this statement on the District.

GASB Statement No. 77, *Tax Abatement Disclosures*. The statement establishes accounting and reporting guidance on tax abatement agreements for governments. The statement is effective for fiscal years beginning after December 15, 2015. Management does not expect this statement to have a financial impact on the District.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The District begins its budgeting process by appointing budget committee members in early fall of each year. Recommendations are developed through early spring and the Budget Committee usually approves the budget in late spring. Public notices of the budget hearing are generally published in early June, and the public hearing is held in late June. The budget is adopted, appropriations are made and the tax rate is declared no later than June 30. The resolution authorizing appropriations for each fund, by function, sets the legal limit for expenditures.

The following functions, by fund, are the legal levels of budgetary control:

- Instruction
- Supporting services
- Community services
- Facilities acquisition and construction
- Interagency/Fund transactions
- Debt service
- Contingency

Management may reassign resources within functions without seeking approval of the District's Board of Directors.

Original appropriations may be increased through resolutions by transferring amounts between appropriations in the same fund or by transferring from an appropriation in the General Fund to an appropriation category in another fund. A supplemental budget is needed to increase appropriations when appropriations transfers are unauthorized. Budget amounts are as originally adopted, or as amended by the District's Board of Directors.

B. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following amounts:

Permanent Fund	
Other financing uses	<u>\$ 45,472</u>
Private Purpose Trust Fund	
Community services	<u>\$ 938</u>

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the District at June 30, 2016. If bank deposits at year end are not entirely insured or collateralized with securities held by the District or by its agent in the District's name, the District must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to participate in the Public Funds Collateralization Pool. The Public Funds Collateralization Pool is a multiple financial institution collateral pool administered by the Oregon State Treasurer's Office.

For the fiscal year ended June 30, 2016, the carrying amount of the District's deposits in various financial institutions was \$736,641 and the bank balance was \$822,082. Of the bank balance, \$250,000 was insured by the Federal Depository Insurance Corporation and \$572,082 was covered by the collateralization pool.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments that are in the possession of an outside party.

The Oregon State Treasurer is responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized to the extent required by Oregon Revised Statutes (ORS) 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third party custodian bank securities having a value of 10 percent, 25 percent or 110 percent of public funds on deposit depending primarily on the capitalization level of the depository bank. Deposits in the Public Funds Collateralization Pool are not 100 percent guaranteed.

Investments. Coquille School District has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the District's cash position. Withdrawals in excess of \$15 million require 48 hours' notice.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 294.810. These funds are held in the District's name and are not subject to collateralization requirements of ORS 295.015. Investments are stated at cost, which approximates fair value.

State statutes authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, debt obligations of the State of Oregon and its political subdivisions, debt obligations of the States of California, Washington, and Idaho and their political subdivisions, time deposits of insured savings institutions, bankers' acceptances, certain corporate indebtedness, and repurchase agreements.

Credit Risk. Credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer of the Pool and it is responsible for all funds in the Pool. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The District has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund Board manages this risk by limiting the maturity of the investments held by the fund. The District has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
Local Government Investment Pool	1 day	100%	\$ 1,029,345

A reconciliation of cash and cash equivalents as shown on the balance sheet follows:

Cash on hand	\$ 400
Carrying amounts of deposits	736,641
Carrying amounts of investments in LGIP	<u>1,029,345</u>
Total cash and cash equivalents	<u>\$ 1,766,386</u>
Cash and cash equivalents and restricted cash and cash equivalents by fund:	
General fund	\$ 1,283,836
Special revenue fund	190,241
Capital projects fund	206,055
Nonmajor funds:	
Restricted cash and cash equivalents	<u>81,029</u>
Total Governmental Funds	1,761,161
Fiduciary funds	<u>5,225</u>
Total cash and cash equivalents	<u>\$ 1,766,386</u>

B. Receivables

All non-current property taxes receivable are treated as deferred revenue in the fund financial statements. Other accounts and intergovernmental receivables are considered to be fully collectible. Accordingly, no provision for estimated uncollectables has been established.

Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by the County of Coos and remittance to the District is made at periodic intervals. For fiscal year 2015-2016, the District imposed the taxes at a rate of \$4.2522 per \$1,000 of assessed value. After reduction for estimated shared offsets, truncation, and loss due to constitutional limits of \$27,058, this resulted in a net levy of \$2,274,333, including \$326,519 levied for payment of bonded debt.

C. Capital Assets

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

Governmental Capital Assets	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
<i><u>Capital assets not being depreciated</u></i>				
Land	\$ 337,371	\$ -	\$ -	\$ 337,371
Construction in progress	1,279,938	-	(1,279,938)	-
Total non-depreciable	1,617,309	-	(1,279,938)	337,371
<i><u>Capital assets being depreciated</u></i>				
Land improvements	663,381	-	-	663,381
Buildings	8,364,331	1,903,690	-	10,268,021
Equipment	344,393	77,949	(8,326)	414,016
Vehicles	945,652	34,606	(38,212)	942,046
Total capital assets being depreciated	10,317,757	2,016,245	(46,538)	12,287,464
<i><u>Less accumulated depreciation for:</u></i>				
Land improvements	(274,444)	(182,173)	-	(456,617)
Buildings	(4,079,267)	(20,938)	-	(4,100,205)
Equipment	(308,027)	(14,904)	7,774	(315,157)
Vehicles	(670,672)	(35,158)	33,382	(672,448)
Total accumulated depreciation	(5,332,410)	(253,173)	41,156	(5,544,427)
Total capital assets being depreciated (net)	4,985,347	1,763,072	(5,382)	6,743,037
Governmental activities capital assets (net)	<u>\$ 6,602,656</u>	<u>\$ 1,763,072</u>	<u>\$ (1,285,320)</u>	<u>\$ 7,080,408</u>

Depreciation expense is not allocated among functions.

D. Fund Balance

The District has adopted GASB Statement No. 54 which redefined how fund balances are presented in fund financial statements. In the governmental fund financial statements, fund balances are classified as follows:

	General Fund	Special Grant Fund	Capital Projects Fund	Nonmajor Funds	Total
Nonspendable:					
Food service	\$ -	\$ 20,685	\$ -	\$ -	\$ 20,685
Restricted:					
Debt service	-	-	-	85,649	85,649
Donations for specific purposes	-	160,493	-	2,089	162,582
Student body activities	-	164,564	-	-	164,564
Capital projects	-	-	168,028	-	168,028
Committed:					
Capital projects	-	-	35,819	-	35,819
Assigned:					
PERS rate changes	210,000	-	-	-	210,000
Unassigned:	550,975	-	-	-	550,975
Total fund balance	<u>\$ 760,975</u>	<u>\$ 345,742</u>	<u>\$ 203,847</u>	<u>\$ 87,738</u>	<u>\$ 1,398,302</u>

E. Deferred Inflows/Outflows of Resources

Governmental funds Balance Sheet reports deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The Statement of Net Position reports deferred outflows of resources in connection with deferred amounts paid on bond refundings.

At June 30, 2016, the General Fund and Debt Service Fund reported deferred inflows of resources for property taxes on the Balance Sheet of \$183,993 and \$31,281 respectively. The Statement of Net Position reported deferred outflows of resources for bond refundings in the amount of \$78,159.

F. Interfund Transfers

The composition of interfund transfers in the fund financial statements as of June 30, 2016 is as follows:

Interfund Transfers:

Transfer out	
General Fund	\$ 178,150
Special Grant Fund	1,100
	<hr/>
	\$ 179,250
	<hr/>
Transfer in	
General Fund	\$ 1,100
Special Grant Fund	178,150
	<hr/>
	\$ 179,250
	<hr/>

The transfers from the General Fund to the Special Grant Fund are routine transfers to support activities related to Professional Growth, Food Service and Athletics.

G. Leases

Operating leases: The District leases a postage machine under a non-cancelable operating lease. Total costs for the lease was \$2,548 for the fiscal year ended June 30, 2016. The future minimum payments for these leases are as follows:

<u>Fiscal Year</u>	<u>Payments</u>
2016-2017	\$ 3,255
2017-2018	3,255
2018-2019	3,255
2019-2020	3,255
2020-2021	1,942
	<hr/>
	\$ 14,962
	<hr/>

H. Long-Term Debt

Capital Leases: At June 30, 2016, the District had five copiers and one bus under lease purchase agreements. The balance of these agreements at June 30, 2016 was \$8,357. The items under lease at year-end had a cost of \$152,635, with accumulated depreciation of \$74,096 and a net book value of \$78,539. Capital lease payments are made out of the general fund.

The annual lease payments for these capital leases are as follows:

<u>Fiscal Year</u>	<u>Payments</u>
2016-17	\$ 7,540
2017-18	974
	<u>8,514</u>
Less interest	<u>(157)</u>
Principal due	<u>\$ 8,357</u>

General Obligation Bonds: On March 13, 2001, the voters of the District approved a general obligation (GO) bond issue in the amount of \$3,545,000 to expand and improve the District's facilities. The District shall levy annually as provided by law a direct ad valorem tax upon all taxable property within the District in a sufficient amount to pay the principal and interest on the bonds as they become due for a period of 20 years. On October 6, 2005, a portion of the bonds maturing June 15 in the years 2006 through 2021 were refinanced (2005 Advanced Refunding of 2001 GO Bonds). The remaining bonds matured in 2011. The refinanced bonds bear interest rates of 3.0 percent to 4.0 percent. The purpose of the refunding was undertaken to reduce the total debt service payments over the next 15 years by \$108,874 and resulted in an economic gain of \$84,974.

The reacquisition price exceeded the net carrying amount of the refunded debt by \$204,463. This amount is reported as a deferred outflow of resources and is amortized over the life of the refunded debt, which is the same life as the debt issued. GO Bond payments are made out of the debt service fund.

The future debt maturity requirements are as follows at June 30, 2016:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016-2017	\$ 270,000	\$ 59,188	\$ 329,188
2017-2018	295,000	49,197	344,197
2018-2019	310,000	38,135	348,135
2019-2020	330,000	26,355	356,355
2020-2021	<u>350,000</u>	<u>13,650</u>	<u>363,650</u>
Total	<u>\$ 1,555,000</u>	<u>\$ 186,525</u>	<u>\$ 1,741,525</u>

Promissory Note: On July 18, 2011 the District entered into a loan agreement with Oregon First Community Credit Union in the amount of \$70,711 for the purpose of purchasing a house and piece of land adjacent to District property. The loan bears an interest rate of 4 percent and has a four-year term. Debt service payments will be made out of the general fund. The loan was paid off in 2015-16.

Certificates of Participation: On January 19, 2012 the District entered into an agreement to participate in the Oregon School Boards Association Flex Fund Program. The program issues tax-credit bonds, known as Qualified Zone Academy Bonds (QZAB). Bonds were issued in the amount of \$1,025,000 and mature in 2030. Proceeds are to be used to finance roof replacements, HVAC replacements, and various improvements at school facilities. The bonds bear interest at 4.625 percent, however, as part of the Taxpayer Relief Act of 1997 the institutions holding the bonds receive a tax credit in lieu of interest. Interest is payable semiannually, with principal payments due in June of each year. Payment is made from the general fund.

The future debt maturity requirements are as follows at June 30, 2016:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016-2017	\$ 56,944	\$ 47,406	\$ 104,350
2017-2018	56,944	47,406	104,350
2018-2019	56,944	47,406	104,350
2019-2020	56,944	47,406	104,350
2020-2025	284,720	237,030	521,750
2025-2030	<u>285,440</u>	<u>237,034</u>	<u>522,474</u>
Total	<u>\$ 797,936</u>	<u>\$ 663,688</u>	<u>\$ 1,461,624</u>

Financing Agreement: On July 1, 2014 the District entered into an agreement with Capital One Public Funding, LLC, to issue tax-credit bonds, known as Qualified Zone Academy Bonds (QZAB). Bonds were issued in the amount of \$3,750,000 and mature in 2031. Proceeds are to be used to finance roof replacements, parking lot improvements, facility and equipment upgrades, furniture and deferred maintenance, and various improvements at school facilities. The bonds bear interest at 4.48 percent, however, as part of the Taxpayer Relief Act of 1997 the institutions holding the bonds receive a tax credit in lieu of interest of 3.33 percent. Interest at 1.15 percent is payable semiannually, with principal payments due in June of each year. Payment is made from the general fund.

The future debt maturity requirements are as follows at June 30, 2016:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016-2017	\$ 205,000	\$ 38,468	\$ 243,468
2017-2018	210,000	36,110	246,110
2018-2019	210,000	33,695	243,695
2019-2020	215,000	31,280	246,280
2020-2021	215,000	28,807	243,807
2021-2022	215,000	26,335	241,335
2022-2023	220,000	23,863	243,863
2023-2024	220,000	21,332	241,332
2024-2025	225,000	18,803	243,803
2025-2026	230,000	16,215	246,215
2026-2031	<u>1,180,000</u>	<u>40,998</u>	<u>1,220,998</u>
Total	<u>\$ 3,345,000</u>	<u>\$ 315,906</u>	<u>\$ 3,660,906</u>

During the year ended June 30, 2016, the following changes occurred in long-term liabilities reported in the Statement of Net Position:

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016	Due Within One Year
Capital leases	\$ 38,369	\$ -	\$ (30,012)	\$ 8,357	\$ 7,387
2012 Green house loan	18,687	-	(18,687)	-	
2012 QZAB loan	854,165	-	(56,229)	797,936	56,944
2005 Refunding of 2001 general obligation bonds payable	1,810,000	-	(255,000)	1,555,000	270,000
2014 QZAB loan	3,550,000		(205,000)	3,345,000	205,000
Total	6,271,221	-	(564,928)	5,706,293	539,331
Less: deferred amounts on refunding	(92,088)	-	13,929	(78,159)	(13,929)
Total	<u>\$ 6,179,133</u>	<u>\$ -</u>	<u>\$ (550,999)</u>	<u>\$ 5,628,134</u>	<u>\$ 525,402</u>

Additionally, the following changes occurred in compensated absences payable:

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016	Due Within One Year
Compensated absences	<u>\$ 29,570</u>	<u>\$ 34,390</u>	<u>\$ (32,447)</u>	<u>\$ 31,513</u>	<u>\$ 31,513</u>

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the District has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

B. Commitments and Contingent Liabilities

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

C. Employee Retirement Systems and Plans

Public Employees Retirement System

The District did not implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68.

Plan Description. Coquille School District No. 8 contributes to the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees.

All Oregon school districts are required by law to be part of a school district pool. Pooling allows separate employers to be part of one group for the purpose of determining employer pension costs and contributions rates. Pool participants share pension assets and future pension liabilities and surpluses. Employers in the pool jointly fund the future pension cost of all the pooled participants.

Plan Benefits.

Tier One/Tier Two Retirement Benefit (Chapter 238):

Pension Benefits - The PERS retirement allowance may be selected from 13 retirement benefit options. These options include annuities, survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. Tier I/Tier II Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

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) and employer funds equal to the account balance, provided certain conditions are met.

Disability Benefits - This is available for qualifying employees for both duty and non-duty connected causes.

Benefit Changes After Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Also, monthly benefits are adjusted annually through cost-of-living changes.

OPSRP Pension Program (ORS Chapter 238A):

Pension Benefits - The Pension Program provides benefits to members hired on or after August 29, 2003. OPSRP provides a life pension funded by employer contributions. Benefits are based upon the number of years of service and the final average salary.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits - This is available for qualifying employees for both duty and non-duty connected causes.

Benefit Changes After Retirement - Monthly benefits are adjusted annually through cost-of-living changes.

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits – 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 Individual Account Program (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, or 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.

Recordkeeping – PERS contracts with VOYA Financial to maintain IAP participant records.

Pension Plan CAFR:

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.oregon.gov/PERS.

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 District paid 22.33% for Tier I and Tier II employees and 17.64% for OPSRP members for the fiscal year.

Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

The contribution requirements of plan members and Coquille School District No. 8 are established and may be amended by the PERS Board of Trustees. The District's contributions to PERS for the years ending June 30, 2016, 2015, and 2014 were \$1,128,163, \$1,085,275, and \$1,061,149, respectively, equal to the required contributions for each year. These added to the District's fiduciary net position.

The pension liability (asset) was determined in accordance with *Government Accounting Standards* Board Statement No. 27. Since all actuarially determined contributions have been paid, and the District has not implemented GASB Statement No. 68, the reported pension liability (asset) is zero.

D. Postemployment Healthcare Plan

The District did not implement GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2016. This standard requires the District to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected benefits for retired and active employees on the financial statements.

The District does not have a formal postemployment benefits plan for any employee group, however the District is required by Oregon Revised Statutes 243.303 to provide retirees with the opportunity to purchase group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of the retiree healthcare premiums represents an implicit employer contribution. GASB Statement No. 45 is applicable to the District due only to this implicit rate subsidy. The District did not determine the amount of their liability under GASB Statement No. 45, therefore the effect on the Statement of Net Position and the Statement of Activities cannot be determined. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

MAJOR FUNDS

General Fund – The General Fund is used to account for and report on resources and activities directly associated with carrying out those operations related to the District's educational objectives. Included are all resources and activities which are not accounted for in another fund. The major sources of revenues are property taxes and state school funds.

Special Grant Fund – The Special Grant Fund accounts for and reports on revenue sources that are restricted or committed to expenditure for specific purposes, as well as revenues received and expenditures made for athletics, professional growth, food service, scholarships and student activities. Federal grants, fees, charges for service, transfers and interest earnings are the major sources of revenue.

Capital Projects Fund – The Capital Projects Fund accounts for and reports on the acquisition of capital assets or construction of major capital projects not being financed by the General Fund. The major sources of revenue are loan proceeds, proceeds from the sale of capital assets and interest earnings.

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	Budget			
	Original	Final	Actual	Variance
Revenues:				
Local sources	\$ 2,133,416	2,133,416	\$ 2,260,454	\$ 127,038
Intermediate sources	11,000	11,000	11,027	27
State sources	6,479,001	6,479,001	6,595,287	116,286
Federal sources	57,282	57,282	50,936	(6,346)
Total revenues	8,680,699	8,680,699	8,917,704	237,005
Expenditures:				
Current:				
Instruction	4,880,135	5,015,751	4,894,523	121,228
Supporting services	3,416,779	3,518,779	3,354,503	164,276
Debt service	392,771	392,771	391,782	989
Contingency	100,000	100,000	-	100,000
Total expenditures	8,789,685	9,027,301	8,640,808	386,493
Excess (deficiency) of revenues over (under) expenditures	(108,986)	(346,602)	276,896	623,498
Other financing sources (uses):				
Transfer in	25,000	25,000	1,100	(23,900)
Transfer out	(157,162)	(187,162)	(178,150)	9,012
Sale of assets	-	-	2,100	2,100
Total other financing sources (uses)	(132,162)	(162,162)	(174,950)	(12,788)
Net change in fund balance	(241,148)	(508,764)	101,946	610,710
Fund balance, beginning of year	241,148	508,764	659,029	150,265
Fund balance, end of year	\$ -	\$ -	\$ 760,975	\$ 760,975

See auditor's report

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL GRANT FUND
For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Local sources	\$ 609,941	\$ 657,840	\$ 362,034	\$ (295,806)
Intermediate sources	85,111	106,517	112,424	5,907
State sources	52,673	75,219	95,840	20,621
Federal sources	1,781,160	1,792,537	941,628	(850,909)
Total revenues	2,528,885	2,632,113	1,511,926	(1,120,187)
Expenditures:				
Current:				
Instruction	1,088,525	1,154,652	867,103	287,549
Supporting services	184,806	223,107	191,368	31,739
Community services	1,560,368	1,560,368	532,572	1,027,796
Total expenditures	2,833,699	2,938,127	1,591,043	1,347,084
Excess (deficiency) of revenues over (under) expenditures	(304,814)	(306,014)	(79,117)	226,897
Other financing sources (uses):				
Sale of assets	-	-	1,200	1,200
Transfers out	(25,000)	(25,000)	(1,100)	23,900
Transfers in	157,162	158,362	178,150	19,788
Total other financing sources	132,162	133,362	178,250	44,888
Net change in fund balance	(172,652)	(172,652)	99,133	271,785
Fund balance, beginning of year	221,652	221,652	246,609	24,957
Fund balance, end of year	\$ 49,000	\$ 49,000	\$ 345,742	\$ 296,742

See auditor's report

SUPPLEMENTARY INFORMATION

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Local sources	<u>\$ -</u>	<u>\$ 9,520</u>	<u>\$ 9,520</u>
Total revenues	<u>-</u>	<u>9,520</u>	<u>9,520</u>
Expenditures:			
Current:			
Instruction	7,700	7,582	118
Supporting services	203,000	37,825	165,175
Facilities acquisition and construction	<u>2,300,000</u>	<u>672,456</u>	<u>1,627,544</u>
Total expenditures	<u>2,510,700</u>	<u>717,863</u>	<u>1,792,837</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,510,700)</u>	<u>(708,343)</u>	<u>1,802,357</u>
Other financing sources (uses):			
Issuance of debt	<u>2,510,700</u>	<u>-</u>	<u>(2,510,700)</u>
Net change in fund balance	-	(708,343)	(708,343)
Fund balance, beginning of year	<u>-</u>	<u>912,190</u>	<u>912,190</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 203,847</u></u>	<u><u>\$ 203,847</u></u>

See auditor's report

NONMAJOR FUNDS

Debt Service Fund – This fund accounts for and reports on the servicing of long-term debt. Major sources of revenues are property taxes and interest earnings.

Permanent Fund – This fund accounts for and reports on the contributions received from the Hanley Trust. This fund is legally restricted to the extent that only earnings, not principal, may be used to support any of the District's programs.

COQUILLE SCHOOL DISTRICT NO. 8
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Debt Service Fund	Permanent Fund Hanley Trust	Total
ASSETS			
Cash and cash equivalents	\$ 80,986	\$ 43	\$ 81,029
Accounts receivable	-	2,046	2,046
Property taxes receivable - current	4,663	-	4,663
Property taxes receivable - noncurrent	31,281	-	31,281
Total assets	<u>\$ 116,930</u>	<u>\$ 2,089</u>	<u>\$ 119,019</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	<u>\$ 31,281</u>	<u>\$ -</u>	<u>\$ 31,281</u>
Fund balances:			
Restricted	<u>85,649</u>	<u>2,089</u>	<u>87,738</u>
Total fund balances	<u>85,649</u>	<u>2,089</u>	<u>87,738</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 116,930</u>	<u>\$ 2,089</u>	<u>\$ 119,019</u>

See auditor's report

COQUILLE SCHOOL DISTRICT NO. 8
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	Debt Service Fund	Permanent Fund Hanley Trust	Total
Revenues:			
Property taxes	\$ 320,352	\$ -	\$ 320,352
Earnings on investments	-	125	125
Donations	-	2,046	2,046
	<u>320,352</u>	<u>2,171</u>	<u>322,523</u>
Total revenues			
Expenditures:			
Debt service	<u>323,495</u>	<u>-</u>	<u>323,495</u>
Other financing sources (uses):			
Return to trustee	<u>-</u>	<u>(45,472)</u>	<u>(45,472)</u>
Net change in fund balances	(3,143)	(43,301)	(46,444)
Fund balance, beginning of year	<u>88,792</u>	<u>45,390</u>	<u>134,182</u>
Fund balance, end of year	<u><u>\$ 85,649</u></u>	<u><u>\$ 2,089</u></u>	<u><u>\$ 87,738</u></u>

See auditor's report

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Local sources	<u>\$ 372,919</u>	<u>\$ 320,352</u>	<u>\$ (52,567)</u>
Expenditures:			
Debt service	<u>372,919</u>	<u>323,495</u>	<u>49,424</u>
Net change in fund balance	-	(3,143)	(3,143)
Fund balance, beginning of year	<u>-</u>	<u>88,792</u>	<u>88,792</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 85,649</u></u>	<u><u>\$ 85,649</u></u>

See auditor's report.

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PERMANENT FUND - HANLEY TRUST
For the Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Local sources	<u>\$ -</u>	<u>\$ 2,171</u>	<u>\$ 2,171</u>
Other financing sources (uses)			
Return funds to trustee	<u>-</u>	<u>(45,472)</u>	<u>(45,472)</u>
Net change in fund balance	-	(43,301)	(43,301)
Fund balance, beginning of year	<u>45,200</u>	<u>45,390</u>	<u>190</u>
Fund balance, end of year	<u><u>\$ 45,200</u></u>	<u><u>\$ 2,089</u></u>	<u><u>\$ (43,111)</u></u>

See auditor's report

FIDUCIARY FUNDS

Private Purpose Trust Fund - This fund accounts for and reports on contributions received from the Hupperich Trust. This fund is legally restricted to the extent that only earnings, not principal, may be used for scholarships.

Alumni Agency Fund – This fund accounts for and reports assets held by the District in a purely custodial capacity.

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PRIVATE PURPOSE TRUST FUND - HUPPERICH TRUST
For the Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Local sources	<u>\$ 12,755</u>	<u>\$ 19</u>	<u>\$ (12,736)</u>
Expenditures:			
Current:			
Community services	<u>16,555</u>	<u>17,493</u>	<u>(938)</u>
Net change in fund balance	(3,800)	(17,474)	(13,674)
Fund balance, beginning of year	<u>3,800</u>	<u>17,584</u>	<u>13,784</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 110</u></u>	<u><u>\$ 110</u></u>

See auditor's report.

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ALUMNI AGENCY FUND
For the Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Local sources	<u>\$ 10,300</u>	<u>\$ 33</u>	<u>\$ (10,267)</u>
Net change in fund balance	10,300	33	(10,267)
Fund balance, beginning of year	<u>-</u>	<u>5,082</u>	<u>5,082</u>
Fund balance, end of year	<u><u>\$ 10,300</u></u>	<u><u>\$ 5,115</u></u>	<u><u>\$ (5,185)</u></u>

See auditor's report

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>2015-16 Federal Expenditures</u>
<u>U.S. Department of Education</u>		
Direct federal awards		
Indian Education Act Title IV, Part A	84.060	\$ 23,466
Passed through State of Oregon:		
Department of Human Services:		
Youth Transitional Program	84.126A	39,871
Department of Education:		
Title I Grants to Local Educational Agencies	** 84.010	193,594
Title X Homeless	** 84.010	8,000
		201,594
Title II A - Improving Teacher Quality	84.367	54,704
Special Education Cluster (IDEA):		
IDEA Part B - Special Education Grants to States	84.027	145,287
IDEA Enhancement	84.027	2,122
IDEA System Performance Review & Improvement	84.027	1,520
IEP Training	84.027	153
Post School Outcomes	84.027	50
Preschool Grants for Children with Disabilities	84.173	2,361
Total Special Education Cluster (IDEA)		151,493
Total State of Oregon Department of Education		407,791
Total U.S. Department of Education		471,128
<u>U.S. Department of Agriculture</u>		
Passed through State of Oregon		
Department of Education:		
Child Nutrition Cluster:		
Summer Food Service Program	10.559	5,512
Summer Food Service Program - Commodities	10.559	18
National School Lunch Program	** 10.555	193,646
National School Lunch Program - Commodities	** 10.555	19,250
School Breakfast Program	** 10.553	78,307
Total Child Nutrition Cluster		296,733
Child and Adult Food Care Program	10.558	160,727
Cash in Lieu of Commodities	10.558	12,434
		173,161
CNP State Administrative Expense 2016 Reallocation	10.560	606
Total State of Oregon Department of Education		470,500
Passed through Coos County:		
Schools and Roads - Grants to States	10.665	6,872
Total U.S. Department of Agriculture		477,372
<u>Internal Revenue Service - Bond Branch</u>		
Direct federal award		
Qualified Zone Academy Bond IRC Section 54A Interest Subsidy	Series 2012A	44,064
Total Federal Expenditures		\$ 992,564

** Major Program

COQUILLE SCHOOL DISTRICT NO. 8
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

Note 1. Purpose of the Schedule

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Coquille School District No. 8 for the year ended June 30, 2016.

Note 2. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Coquille School District No. 8 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3. Subrecipients

During the year ended June 30, 2016, the District did not provide any financial awards to subrecipients.

Note 4. De Minimis Cost Rate

The District did not elect to use the 10% de minimus indirect cost rate during the 2015-16 fiscal year.

Note 5. Interest Subsidy

Interest subsidies related to the Qualified School Construction Bonds are funded through the Hiring Incentives to Restore Employment Act (HIRE) and are now listed on the schedule. These amounts are disbursed directly to the lender and do not pass through the District.

OTHER INFORMATION

COQUILLE SCHOOL DISTRICT NO. 8
SUMMARY OF PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

Questioned Costs:

There were no questioned costs for the year ended June 30, 2015.

Findings:

There were no findings for the year ended June 30, 2015.

COQUILLE SCHOOL DISTRICT NO. 8
CORRECTIVE ACTION PLAN RELATED TO FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

2016-001 CFDA 84.010 Title I Grants to Local Education Agencies
United States Department of Education
Passed through the Oregon Department of Education
Allowable Costs - Documentation of Employee time and Effort
Level of finding – Material Weakness

Planned corrective action:

The Coquille School District agrees that the auditors found a technical error in recording Title I time. The district was negligent in keeping actual personnel activity reports for the Title I Director. The District has implemented corrective action of:

The Title I Director keeping personnel activity reports is reviewing his calendar weekly with his secretary to ensure that the activity reports are accurate. The superintendent is signing off on the activity reports at the end of each month. The activity reports are being sent to the Business Manager to assure that the time is being worked as stated in the CIP. This process was put into place as of July 1, 2016. The Superintendent is responsible for assuring that the corrective action has been taken.

However, the District would like to challenge the technical aspect of the audit comment. The Coquille Title I Director did keep a calendar (rather than a personnel activity report) and many of the meetings and time he spent in Title I were rejected by the auditor for not being detailed enough. The Title I Director did the work to take the district from Targeted to School Wide and did it at a high level. This was the first time the district had an exempt administrator charged to a Federal program and administrators are used to working the time it takes to get the job done without tracking the many hours on a time sheet. The district as a whole has worked hard to maintain detailed records and to make sure we are meeting all requirements from the state and federal government. This was the first major mishap the district has had since the current superintendent came to Coquille in 2010.

It is the belief of the district that although a mistake was made, the mistake was not so egregious as to prevent the district from claiming the full amount that was identified in the CIP.

SUPPLEMENTAL INFORMATION, 2015-2016

School District Business Managers and Auditors:

This page is a required part of your annual audited financial statements. Please make sure it is included.

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

A. Energy Bill for Heating - **All Funds:**

Please enter your expenditures for electricity
& heating fuel for these Functions & Objects.

	Objects 325 & 326
Function 2540	\$ 180,812
Function 2550	\$ 6,851

B. Replacement of Equipment - General Fund:

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

\$ 18,414

Exclude these functions:

Exclude these functions:

1113, 1122 & 1132 Co-curricular Activities
1140 Pre-Kindergarten
1300 Continuing Education
1400 Summer School

4150 Construction
2550 Pupil Transportation
3100 Food Service
3300 Community Services

12/09/16

CURR

COQUILLE SCHOOL DISTRICT #8

PAGE 1

FN281A

REVENUES

BUDGET SUMMARY 3211-100 FUND
For Fiscal Year 15/16

FUND RANGE: 100-999

FUNCTION	1XX	2XX	3XX	4XX	5XX	6XX	7XX	TOTAL
1110	1,910,417.30	.00	.00	.00	.00	.00	.00	1,910,417.30
1330	2,640.00	.00	.00	.00	.00	.00	.00	2,640.00
1500	15,314.42	.00	.00	.00	.00	.00	.00	15,314.42
1700	8,489.59	.00	.00	.00	.00	.00	.00	8,489.59
1910	12,000.00	.00	.00	.00	.00	.00	.00	12,000.00
1940	242,999.67	.00	.00	.00	.00	.00	.00	242,999.67
1990	68,592.75	.00	.00	.00	.00	.00	.00	68,592.75
2101	11,027.08	.00	.00	.00	.00	.00	.00	11,027.08
3101	6,246,142.20	.00	.00	.00	.00	.00	.00	6,246,142.20
3103	97,093.95	.00	.00	.00	.00	.00	.00	97,093.95
3199	252,051.27	.00	.00	.00	.00	.00	.00	252,051.27
4801	6,871.67	.00	.00	.00	.00	.00	.00	6,871.67
4900	44,064.11	.00	.00	.00	.00	.00	.00	44,064.11
5200	1,100.00	.00	.00	.00	.00	.00	.00	1,100.00
5300	2,100.00	.00	.00	.00	.00	.00	.00	2,100.00
5400	659,029.00	.00	.00	.00	.00	.00	.00	659,029.00
TOTAL	9,579,933.01	.00	.00	.00	.00	.00	.00	9,579,933.01

12/09/16

CURR

COQUILLE SCHOOL DISTRICT #8

PAGE 2

FN281A

REVENUES

BUDGET SUMMARY 3211-200 FUND
For Fiscal Year 15/16

FUND RANGE: 100-999

FUNCTION	1XX	2XX	3XX	4XX	5XX	6XX	7XX	TOTAL
1500	242.63	.00	.00	.00	.00	.00	.00	242.63
1600	3,664.03	.00	.00	.00	.00	.00	.00	3,664.03
1700	184,826.30	.00	.00	.00	.00	.00	.00	184,826.30
1920	81,098.87	.00	.00	.00	.00	.00	.00	81,098.87
1940	74,594.81	.00	.00	.00	.00	.00	.00	74,594.81
1990	17,607.03	.00	.00	.00	.00	.00	.00	17,607.03
2199	10,790.98	.00	.00	.00	.00	.00	.00	10,790.98
2200	78,284.22	.00	.00	.00	.00	.00	.00	78,284.22
2900	23,348.73	.00	.00	.00	.00	.00	.00	23,348.73
3101	73,113.00	.00	.00	.00	.00	.00	.00	73,113.00
3199	43.20	.00	.00	.00	.00	.00	.00	43.20
3299	22,683.82	.00	.00	.00	.00	.00	.00	22,683.82
4300	23,466.00	.00	.00	.00	.00	.00	.00	23,466.00
4500	898,894.23	.00	.00	.00	.00	.00	.00	898,894.23
4900	19,268.24	.00	.00	.00	.00	.00	.00	19,268.24
5200	178,150.10	.00	.00	.00	.00	.00	.00	178,150.10
5300	1,200.00	.00	.00	.00	.00	.00	.00	1,200.00
5400	246,609.00	.00	.00	.00	.00	.00	.00	246,609.00
TOTAL	1,937,885.19	.00	.00	.00	.00	.00	.00	1,937,885.19

12/09/16

CURR

COQUILLE SCHOOL DISTRICT #8

PAGE

3

FN281A

REVENUES

BUDGET SUMMARY 3211-300 FUND
For Fiscal Year 15/16

FUND RANGE: 100-999

FUNCTION	1XX	2XX	3XX	4XX	5XX	6XX	7XX	TOTAL
1110	320,351.75	.00	.00	.00	.00	.00	.00	320,351.75
5400	88,792.00	.00	.00	.00	.00	.00	.00	88,792.00
TOTAL	409,143.75	.00	.00	.00	.00	.00	.00	409,143.75

12/09/16

CURR

COQUILLE SCHOOL DISTRICT #8

PAGE

4

FN281A

REVENUES

BUDGET SUMMARY 3211-400 FUND
For Fiscal Year 15/16

FUND RANGE: 100-999

FUNCTION	1XX	2XX	3XX	4XX	5XX	6XX	7XX	TOTAL
1910	9,520.44	.00	.00	.00	.00	.00	.00	9,520.44
5400	912,190.00	.00	.00	.00	.00	.00	.00	912,190.00
TOTAL	921,710.44	.00	.00	.00	.00	.00	.00	921,710.44

12/09/16

CURR

COQUILLE SCHOOL DISTRICT #8

PAGE

5

FN281A

REVENUES

BUDGET SUMMARY 3211-700 FUND
For Fiscal Year 15/16

FUND RANGE: 100-999

FUNCTION	1XX	2XX	3XX	4XX	5XX	6XX	7XX	TOTAL
1500	176.45	.00	.00	.00	.00	.00	.00	176.45
1920	2,046.00	.00	.00	.00	.00	.00	.00	2,046.00
5400	68,056.00	.00	.00	.00	.00	.00	.00	68,056.00
TOTAL	70,278.45	.00	.00	.00	.00	.00	.00	70,278.45

12/09/16

CURR

COQUILLE SCHOOL DISTRICT #8

PAGE 1

FN281A

EXPENSES

BUDGET SUMMARY 3211-100 FUND
For Fiscal Year 15/16

FUND RANGE: 100-999

FUNCTION	1XX	2XX	3XX	4XX	5XX	6XX	7XX	TOTAL
1111	1,160,537.64	791,623.71	.00	57,665.84	.00	99.00	.00	2,009,926.19
1121	303,913.72	183,111.35	2,054.33	1,592.83	.00	.00	.00	490,682.23
1122	2,153.00	185.50	.00	.00	.00	.00	.00	2,338.50
1131	792,322.88	507,632.24	732.90	25,914.55	.00	220.00	.00	1,326,822.57
1132	23,946.94	8,458.93	.00	.00	.00	.00	.00	32,405.87
1140	10,858.22	5,360.25	.00	.00	.00	.00	.00	16,218.47
1210	2,368.08	751.17	78,109.00	101.95	.00	3,830.00	.00	85,160.20
1220	188,448.57	94,978.48	.00	26,830.46	.00	99.00	.00	310,356.51
1250	103,210.81	62,514.88	.00	.00	.00	.00	.00	165,725.69
1280	231,192.37	147,799.77	12,357.15	1,050.60	.00	271.50	.00	392,671.39
1290	.00	.00	732.65	.00	.00	.00	.00	732.65
1291	21,889.58	14,264.79	836.25	2,930.10	.00	.00	.00	39,920.72
1299	2,284.18	1,207.60	.00	.00	.00	18,070.60	.00	21,562.38
2110	38,296.30	30,933.84	512.28	.00	.00	.00	.00	69,742.42
2120	42,060.30	35,030.84	16.25	557.99	.00	.00	.00	77,665.38
2130	.00	.00	66,361.58	2,048.85	.00	.00	.00	68,410.43
2140	28,719.21	17,506.81	783.95	1,000.44	.00	.00	.00	48,010.41
2150	.00	.00	87,179.89	1,625.72	.00	.00	.00	88,805.61
2190	61,226.88	35,201.64	287.27	2,782.66	.00	889.00	.00	100,387.45
2220	40,330.49	26,437.14	.00	1,661.10	.00	.00	.00	68,428.73
2240	.00	.00	1,592.00	.00	.00	1,293.00	.00	2,885.00
2310	8,704.02	7,077.98	38,065.68	1,817.91	.00	26,046.33	.00	81,711.92
2320	126,476.60	64,522.46	9,823.40	1,321.98	.00	1,863.00	.00	204,007.44
2410	331,179.32	217,586.56	6,214.16	3,974.97	.00	4,243.00	.00	563,198.01
2520	161,481.64	99,507.47	8,351.38	5,422.42	.00	2,933.68	.00	277,696.59
2540	175,538.96	132,849.29	318,180.66	38,105.54	25,183.85	56,078.50	.00	745,936.80

12/09/16

CURR

COQUILLE SCHOOL DISTRICT #8

PAGE

2

FN281A

EXPENSES

BUDGET SUMMARY 3211-100 FUND
For Fiscal Year 15/16

FUND RANGE: 100-999

FUNCTION	1XX	2XX	3XX	4XX	5XX	6XX	7XX	TOTAL
2550	305,402.35	166,441.51	24,547.47	81,880.00	12,500.00	19,391.50	.00	610,162.83
2660	102,421.85	56,454.38	32,973.33	94,844.11	43,837.81	207.50	.00	330,738.98
2690	.00	.00	16,714.81	.00	.00	.00	.00	16,714.81
5100	.00	.00	.00	.00	.00	391,781.59	.00	391,781.59
5200	.00	.00	.00	.00	.00	.00	178,150.10	178,150.10
TOTAL	4,264,963.91	2,707,438.59	706,436.39	353,130.02	81,521.66	527,317.20	178,150.10	8,818,957.87

12/09/16

CURR

COQUILLE SCHOOL DISTRICT #8

PAGE

3

FN281A

EXPENSES

BUDGET SUMMARY 3211-200 FUND
For Fiscal Year 15/16

FUND RANGE: 100-999

FUNCTION	1XX	2XX	3XX	4XX	5XX	6XX	7XX	TOTAL
1111	.00	.00	97.24	23,958.13	.00	5,296.55	.00	29,351.92
1113	.00	.00	.00	4,892.86	.00	.00	.00	4,892.86
1121	18,186.92	11,982.67	6,030.39	5,995.89	.00	1,081.00	.00	43,276.87
1122	16,423.96	3,563.94	1,076.38	11,797.18	.00	5,662.43	.00	38,523.89
1131	875.00	324.42	9,441.41	31,259.10	1,053.12	1,230.03	.00	44,183.08
1132	64,239.47	20,252.03	20,645.09	125,141.46	.00	42,892.24	.00	273,170.29
1140	1,367.71	992.93	.00	.00	.00	.00	.00	2,360.64
1250	87,710.01	57,289.96	488.74	.00	.00	.00	.00	145,488.71
1272	115,638.76	70,644.31	14,050.24	1,260.19	.00	.00	.00	201,593.50
1280	.00	.00	.00	.00	10,000.00	133.51	.00	10,133.51
1291	.00	.00	399.43	.00	.00	.00	.00	399.43
1299	38,669.59	24,771.61	2,885.70	7,118.03	.00	283.50	.00	73,728.43
2110	.00	.00	.00	96.62	.00	.00	.00	96.62
2140	28,469.04	17,355.32	406.34	.00	.00	.00	.00	46,230.70
2190	417.12	36.29	350.59	.00	.00	716.00	.00	1,520.00
2210	3,749.92	25,860.91	239.00	.00	.00	.00	.00	29,849.83
2240	31,269.71	12,012.30	13,538.51	1,029.89	.00	135.00	.00	57,985.41
2410	12,222.00	4,514.18	.00	.00	.00	.00	.00	16,736.18
2490	.00	.00	893.02	.00	.00	.00	.00	893.02
2540	.00	.00	20,610.92	.00	.00	.00	.00	20,610.92
2620	.00	.00	2,650.00	1,682.98	.00	.00	.00	4,332.98
2660	420.00	154.61	.00	12,537.65	.00	.00	.00	13,112.26
3100	154,245.58	128,932.55	1,547.70	232,753.40	.00	4,592.68	.00	522,071.91
3300	.00	.00	.00	.00	.00	10,500.00	.00	10,500.00
5200	.00	.00	.00	.00	.00	.00	1,100.00	1,100.00
TOTAL	573,904.79	378,688.03	95,350.70	459,523.38	11,053.12	72,522.94	1,100.00	1,592,142.96

12/09/16

CURR

COQUILLE SCHOOL DISTRICT #8

PAGE

5

FN281A

EXPENSES

BUDGET SUMMARY 3211-300 FUND
For Fiscal Year 15/16

FUND RANGE: 100-999

FUNCTION	1XX	2XX	3XX	4XX	5XX	6XX	7XX	TOTAL
5100	.00	.00	.00	.00	.00	323,495.00	.00	323,495.00
TOTAL	.00	.00	.00	.00	.00	323,495.00	.00	323,495.00

12/09/16

CURR

COQUILLE SCHOOL DISTRICT #8

PAGE

6

FN281A

EXPENSES

BUDGET SUMMARY 3211-400 FUND
For Fiscal Year 15/16

FUND RANGE: 100-999

FUNCTION	1XX	2XX	3XX	4XX	5XX	6XX	7XX	TOTAL
1111	.00	.00	.00	5,875.96	.00	.00	.00	5,875.96
1121	.00	.00	.00	218.86	.00	.00	.00	218.86
1132	.00	.00	.00	734.75	.00	.00	.00	734.75
1280	.00	.00	.00	752.30	.00	.00	.00	752.30
2220	.00	.00	.00	690.32	.00	.00	.00	690.32
2410	.00	.00	5,100.00	.00	.00	.00	.00	5,100.00
2540	.00	.00	28,562.50	3,472.40	.00	.00	.00	32,034.90
3100	.00	.00	28,097.50-	.00	28,097.50	.00	.00	.00
4190	.00	.00	41,699.97	15,121.43	615,635.00	.00	.00	672,456.40
TOTAL	.00	.00	47,264.97	26,866.02	643,732.50	.00	.00	717,863.49

12/09/16

CURR

COQUILLE SCHOOL DISTRICT #8

PAGE 7

FN281A

EXPENSES

BUDGET SUMMARY 3211-700 FUND
For Fiscal Year 15/16

FUND RANGE: 100-999

FUNCTION	1XX	2XX	3XX	4XX	5XX	6XX	7XX	TOTAL
3300	.00	.00	.00	.00	.00	17,492.31	.00	17,492.31
5300	.00	.00	.00	.00	.00	.00	45,471.99	45,471.99
TOTAL	.00	.00	.00	.00	.00	17,492.31	45,471.99	62,964.30

AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 19, 2016

To the Board of Directors of Coquille School District No. 8:

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Coquille School District No. 8 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Coquille School District No. 8's basic financial statements as listed in the table of contents and have issued our report thereon dated December 19, 2016. The report was modified because the District has chosen to not adopt Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*, which is required by accounting principles generally accepted in the United States of America. The District also has chosen to not adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27*, which is also required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Coquille School District No. 8's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be 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

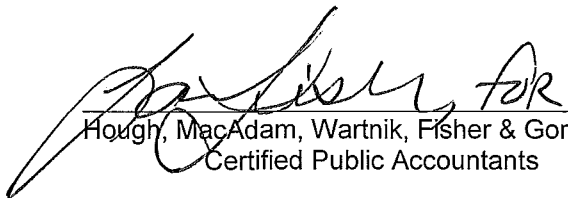
As part of obtaining reasonable assurance about whether Coquille School District No. 8's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item # 2016-001.

Coquille School District No. 8's Response to Findings

The Coquille School District No. 8's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Coquille School District No. 8's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
Certified Public Accountants



**INDEPENDENT AUDITORS REPORT
REQUIRED BY OREGON STATE REGULATIONS**

December 19, 2016

To the Board of Directors of Coquille School District No. 8:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coquille School District No. 8 ("the District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2016.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 to 162-10-320, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

The use of approved depositories to secure the deposit of public funds (ORS Chapter 295).

The requirements relating to debt.

The requirements relating to the preparation, adoption and execution of annual budgets (ORS Chapter 294).

The requirements relating to insurance and fidelity bond coverage.

The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.

The statutory requirements pertaining to the investment of public funds (ORS Chapter 294).

The District has complied with the legal requirements of ORS 327.013 and the Oregon State Department of Education pertaining to the calculation and reporting of the factors used to compute the State School Fund distribution.

The requirements pertaining to the awarding of public contracts and the construction of public improvements (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe that the 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 162-10-100 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State, except:

As described in Note 2, the results of testing indicated instances of non-compliance related to excess expenditures over appropriations, as follows:

Permanent Fund	
Other financing uses	<u>\$ 45,472</u>
Private Purpose Trust Fund	
Community Services	<u>\$ 938</u>

The results of our testing also disclosed instances of non-compliance with federal awards as described in the schedule of findings and questioned costs as item # 2016-001.

OAR 162-10-230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

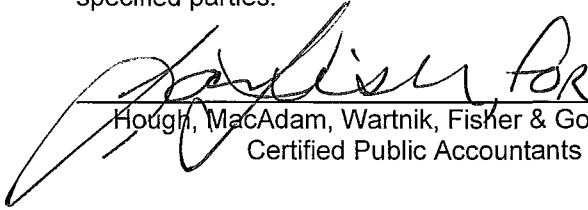
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in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

Coquille School District No. 8's Response to Findings

The Coquille School District No. 8's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Coquille School District No. 8's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely for the information and use of management, Coquille School District No. 8's Board of Directors, the Oregon Secretary of State Division of Audits, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
Certified Public Accountants



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

December 19, 2016

To the Board of Directors of Coquille School District No. 8:

Report on Compliance for Each Major Federal Program

We have audited Coquille School District No. 8'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 District's major federal programs for the year ended June 30, 2016. Coquille School District No. 8's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Coquille School District No. 8's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Coquille School District No. 8's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Coquille School District No. 8's compliance.

Basis for Qualified Opinion on Title I

As described in the accompanying schedule of findings and questioned costs, Coquille School District No. 8 did not comply with requirements regarding the following:

<u>Finding #</u>	<u>Cluster Name</u>	<u>Compliance Requirement</u>
2016-001	CFDA 84.010 Title I	Allowable Costs – Documentation of Time/Effort

Compliance with such requirements is necessary, in our opinion, for Coquille School District No. 8 to comply with the requirements applicable to that program.

Qualified Opinion on Title I

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Coquille School District No. 8 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Title I program for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Coquille School District No. 8 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016

Report on Internal Control Over Compliance

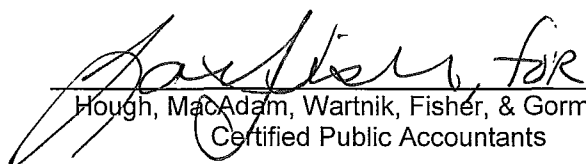
Management of Coquille School District No. 8 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Coquille School District No. 8's internal 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 internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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 deficiencies, significant deficiencies or material weaknesses, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item # 2016-001 to be a material weakness.

The Coquille School District No. 8's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Coquille School District No. 8's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.


Hough, MacAdam, Wartnik, Fisher, & Gorman, LLC
Certified Public Accountants

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued	<u> X </u> Qualified	<u> </u> Unmodified
Internal control of financial reporting:		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> No
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards:

Any material weaknesses identified?	<u> X </u> Yes	<u> </u> No
Any significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported
Type of auditor's report issued on compliance for major programs	<u> X </u> Qualified	<u> </u> Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR section 200.516	<u> X </u> Yes	<u> </u> No

Identification of major programs:

Title I Grants to Local Educational Agencies

Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs	<u> </u>	<u> \$ 750,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No

SECTION II FINDINGS - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-001 CFDA 84.010 Title I Grants to Local Education Agencies
United States Department of Education
Passed through the Oregon Department of Education
Allowable Costs - Documentation of Employee time and Effort
Level of finding – Material Weakness

Criteria: Federal regulations require an employee paid from multiple funding sources that includes at least one federal funding source, prepare a personnel activity report documenting time and effort. The document is prepared by the employee documenting actual time spent working on activities supported by each funding source. If an employee has a schedule that varies from one day to the next, the employee must document hours worked on activities funded from each source on a daily basis. This personnel activity report is done after the actual work is performed and is signed monthly by the employee and the supervisor.

Condition: The Special Programs Director, who is responsible for compliance with the requirements of the Title I grant, did not prepare a personnel activity report for his time worked that was charged to the grant.

Cause: The Special Programs Director was not aware that the above requirement to document time and effort applied to administrative personnel.

Effect: The Title Grant program was charged approximately \$63,000 for personnel costs for the Special Programs Director that are not properly documented. Without documentation, it is not possible to tell if the grant program was over-charged for this time.

Questioned Costs: The Special Programs Director subsequently produced a calendar showing meetings and appointments that supported approximately \$20,200 of the grant charges, leaving approximately \$42,800 of the \$201,594 (20%) of the total Title I grant expenses without any supporting documentation. The \$42,800 is considered questioned costs as there is no supporting documentation of this time.

Perspective: The two other employees, who were funded through multiple cost objectives including the Title I grant, had completed personnel activity reports that properly supported time and effort.

Auditor Recommendation: Return to the Title grant fund the \$42,800 from the unsupported claim. Utilize the information available from the Oregon Department of Education website to provide training for the Special Programs Director on requirements of the Title I grant.

Grantee Response: The Coquille School District agrees that the auditors found a technical error in the recording of the Title I Directors time. The district was negligent in keeping personnel activity reports for the Title I Director and we have put in place procedures to prevent these from happening in the future. Please refer to our attached Corrective Action Plan.