SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

FINANCIAL REPORT
For the Year Ended June 30, 2016

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SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

BOARD OF DIRECTORS AS OF JUNE 30, 2016

NAME	TERM EXPIRES
Mike Reynolds, Chair	June 30, 2019
Jason Redick, Vice-Chair	June 30, 2017
Nick Augsburger, Secretary	June 30, 2019
Jason Van Eck, Director	June 30, 2019
Jenny Daniels, Director	June 30, 2017
Chanz Keeney, Director	June 30, 2017
Angela Clegg, Director	June 30, 2019
Debra Brown, Director	June 30, 2017
Carol Babcock, Director	June 30, 2019

All Directors receive their mail at the District office address below.

ADMINISTRATION

Keith Winslow, Superintendent/Clerk
Kevin Strong, Business Manager/Deputy Clerk

1920 Long Street
Sweet Home, Oregon 97386

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

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LINN COUNTY, OREGON

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PAULY, ROGERS, AND CO., P.C.
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(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

December 21, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sweet Home School District No. 55
Linn County, Oregon

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 Sweet Home School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sweet Home School District, as of June 30, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements, and is also not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our reports dated December 21, 2016, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

MATTHEW GRAVES, CPA
PAULY, ROGERS AND CO., P.C.

Sweet Home School District No. 55

1920 Long Street, Sweet Home, OR 97386-2395

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MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

As management of the Sweet Home School District No. 55 (The District), we offer readers this narrative overview and analysis of the District’s financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider this information presented here in conjunction with additional information in the annual report following this MD&A.

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District’s finances. Fund financial statements tell how these services were financed in the short-term and also show what remains for future spending. Fund financial statements also report the District’s operations in more detail than the government-wide statements.

FINANCIAL HIGHLIGHTS

The District’s net position in the government-wide financial statements improved by $890,217 from <$5,040,413> on June 30, 2015 to <$4,150,196> on June 30, 2016. The improvement in net position was primarily due to higher General Fund, Special Revenue Fund and Debt Service Fund ending fund balances which resulted in a larger consolidated cash balance on the District’s balance sheet.

The District’s overall negative net position is the result of the application of Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68). The fiscal year ended June 30, 2016 is the second year that the District has been required to apply GASB 68.

GASB 68 revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by the Oregon Public Employees Retirement System (PERS).

Among other requirements, the District is required to report its proportionate share of the total PERS net pension liability (NPL) in its government-wide financial statements. The District’s share of the PERS NPL is $1,784,534 as of the most recent reporting date of December 31, 2015.

In addition, the District’s government-wide financial statements include a $12,755,841 liability for pension obligation bonds the District issued during the 2002-03 fiscal year. Bond proceeds were invested with the Oregon Public Employees Retirement System in a side account to reduce the District’s unfunded pension liability. Savings are achieved when investment returns exceed the debt service on the bonds.

According to the most recent actuarial valuation report completed by Milliman, Inc. the value of the District’s PERS pension side account as of December 31, 2015 was $20,788,489. The side account balance is used to offset current and future employer PERS contribution rates. The side account balance is a component in the net pension liability calculation. However, the side account balance's value is not reported as an asset in the government-wide financial statements.

Fund level statements, including the General Fund statements, are not impacted by GASB 68 reporting.

Other financial highlights include:

- The General Fund ending fund balance increased by $352,629 from $1,389,904 on June 30, 2015 to $1,742,533 on June 30, 2016. The increase in the General Fund's ending balance was primarily due to additional local and state revenue along with savings realized from a decrease in charter school expenditures as more students chose to attend district operated schools. The June 30, 2016 fund balance was 8.2 percent of the General Fund's fiscal year revenues.

- The Special Revenue Fund ending fund balance increased by $777,367 from $1,774,328 on June 30, 2015 to $2,551,695 on June 30, 2016. Funds reserved for long term maintenance, energy conservation projects, and future curriculum purchases all grew during the year.

- The Debt Service Fund ending fund balance increased by $378,880 from $3,025,920 on June 30, 2015 to $3,404,800 on June 30, 2016. The District continues to set aside funds to prepare for future pension obligation debt service payments which are expected to grow at a faster rate than salaries and wages.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

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

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

The Statement of Activities: The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows.

In the government-wide financial statements, the District's activities are shown in one category as governmental activities. Most of the District's basic functions are shown here, including regular and special education, child nutrition services, transportation, administration, and facilities acquisition and construction. These activities are primarily financed through property taxes, the Oregon State School Fund and other intergovernmental revenues.

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

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

Fund financial statements: The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds instead of the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Sweet Home School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Notes to the basic financial statements: The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position

	Governmental Activities		**Increase**
	6/30/2015	**6/30/2016**	**<Decrease>**
Current or other assets	8,309,623	9,113,034	803,411
Net capital assets	16,312,218	16,143,310	(168,908)
Total assets	24,621,841	25,256,344	634,503
Deferred Outflows of Resources	63,654	1,397,471	1,333,817
Total assets and deferred outflows of resources	24,685,495	26,653,815	1,968,320
Current liabilities	2,300,456	2,363,612	63,156
Long-term debt	27,425,452	28,066,320	640,868
Total liabilities	29,725,908	30,429,932	704,024
Deferred Inflows of Resources	0	374,079	374,079
Total liabilities and deferred inflows of resources	29,725,908	30,804,011	1,078,103
Net position			
Net investment in capital assets, net of related debt	3,516,319	3,722,955	206,636
Restricted	3,512,492	2,856,064	(656,428)
Unrestricted	(12,069,224)	(10,729,215)	1,340,009
Total net position	(5,040,413)	(4,150,196)	890,217

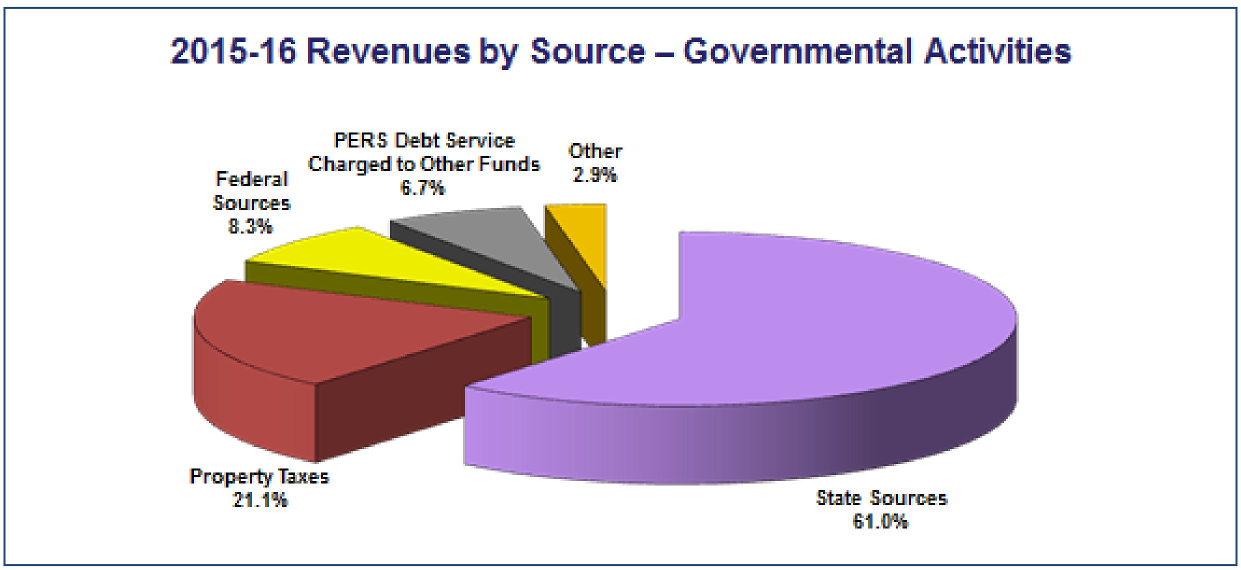
Net Position: As noted earlier, net position may serve over time as a useful indicator of a government's financial position. During the 2016-17 fiscal year, the District's net position improved by $890,217.

Net investment in capital assets increased by $206,636 this year mainly due to asset additions and the repayment of debt related to capital projects exceeding the District's depreciation expense. Assets added during the year included a new synthetic turf field for the high school's football/soccer field, a new gym floor at the junior high school, a resurfaced eight lane track, a new swimming pool boiler and roofing upgrades throughout the district.

Restricted net position represents the unspent portions of capital project funds, debt service funds and net assets restricted by grants, donations and leases. Restricted net position decreased by $656,428 this year, primarily due to a change in presentation for a portion of the District's funds set aside for PERS debt service. A portion of the funds set aside for PERS debt service was included in restricted net position during the 2015-16 fiscal year but not during the 2016-17 fiscal year.

Unrestricted net position is the balancing amount to bring Total Net Position to equal the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. Unrestricted net position improved by $1,340,009 primarily due to a change in presentation for a portion of the District's funds set aside for PERS debt service described in the preceding paragraph.

Revenues: Governmental Funds revenues increased by $1,434,250 from $25,674,712 during the 2014-15 fiscal year to $27,108,962 during the 2015-16 fiscal year. Local revenue increased by $740,508, state revenue increased by $608,023, federal revenue increased by $68,181 and intermediate source revenue increased by $17,538.

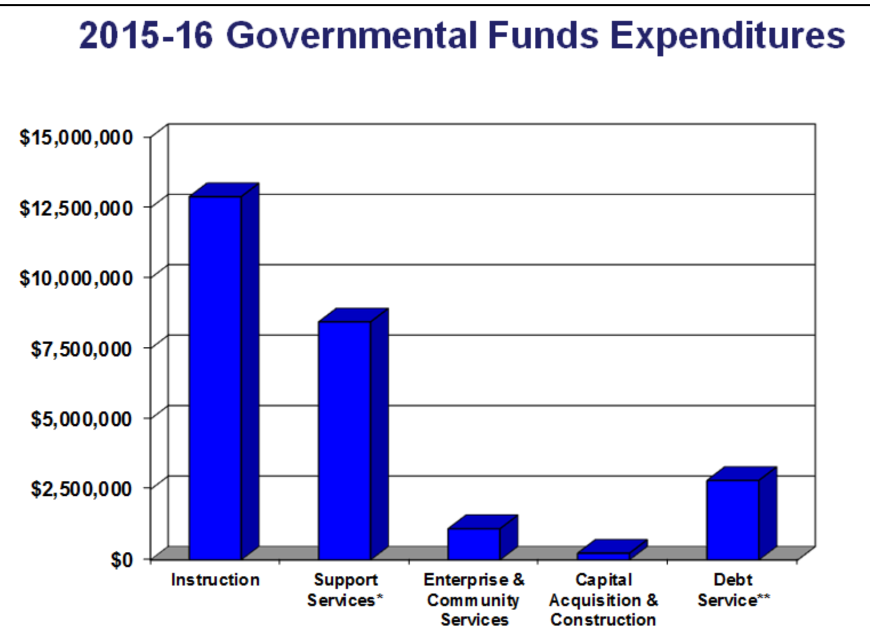


Expenditures: Governmental funds expenditures decreased by $15,856,641 from $41,374,352 during the 2014-15 fiscal year to $25,517,711 during the 2015-16 fiscal year. Most of the decrease was due to the District refinancing $15,955,000 of outstanding bonds at lower interest rates during the 2014-15 fiscal year. Without the bond refinancing, governmental funds expenditures increased by $98,359 from $25,419,352 during the 2014-15 fiscal year to $25,517,711 during the 2015-16 fiscal year.

Instruction spending decreased by $8,799 primarily due to a reduction in charter school payments as fewer students attended the charter school. Support services spending increased by $575,591 primarily due to hiring additional support staff and various maintenance projects throughout the district including asbestos abatement and removing chimneys that posed a risk in case of a seismic event. Capital outlay decreased by $505,620 as the District did not make any bus purchases during the 2015-16 fiscal year, down from four buses purchased during the prior fiscal year.

Condensed Statement of Expenditures

	Governmental Activities		Increase
	2014-15	**2015-16**	**<Decrease>**
Instruction	$12,902,944	$12,894,145	($8,799)
Support Services	$7,875,357	$8,450,948	$575,591
Enterprise & Community Services	$1,081,860	$1,109,468	$27,608
Facilities Acquisition/Capital Outlay	$745,262	$239,642	($505,620)
Debt Service	$18,768,929	$2,823,508	($15,945,421)
Total	$41,374,352	$25,517,714	($15,856,641)



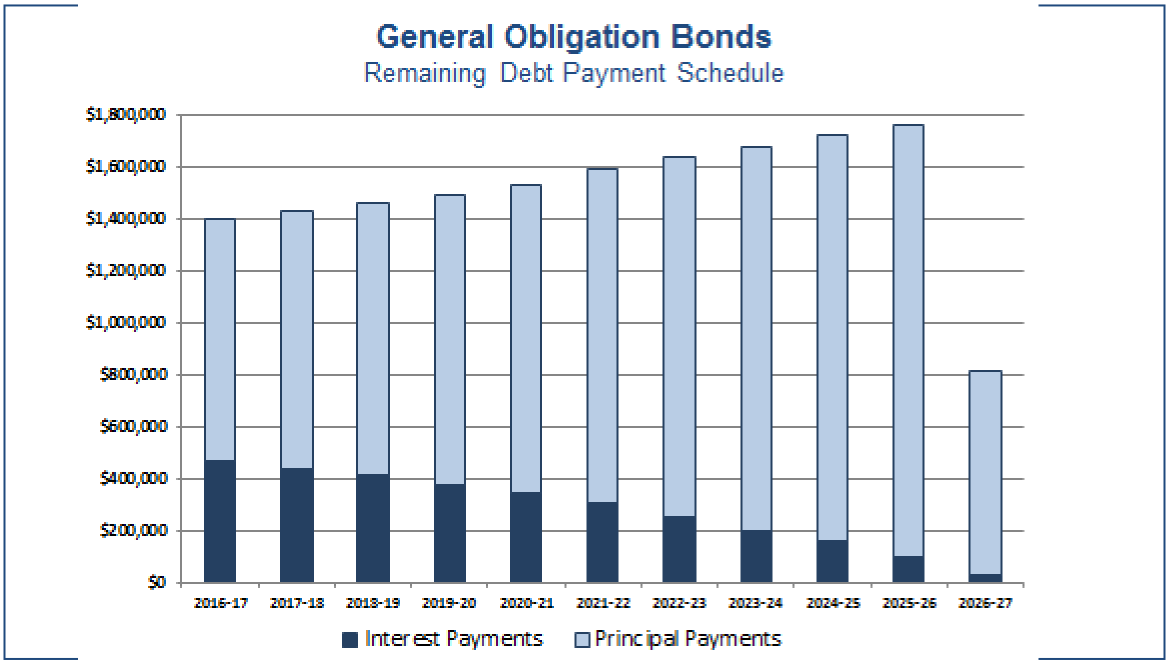
*Support Services includes Guidance and Counseling, Health, Library, Custodial, Maintenance, Utilities, Speech, Administrative, Transportation, Technology, Printing, etc. .

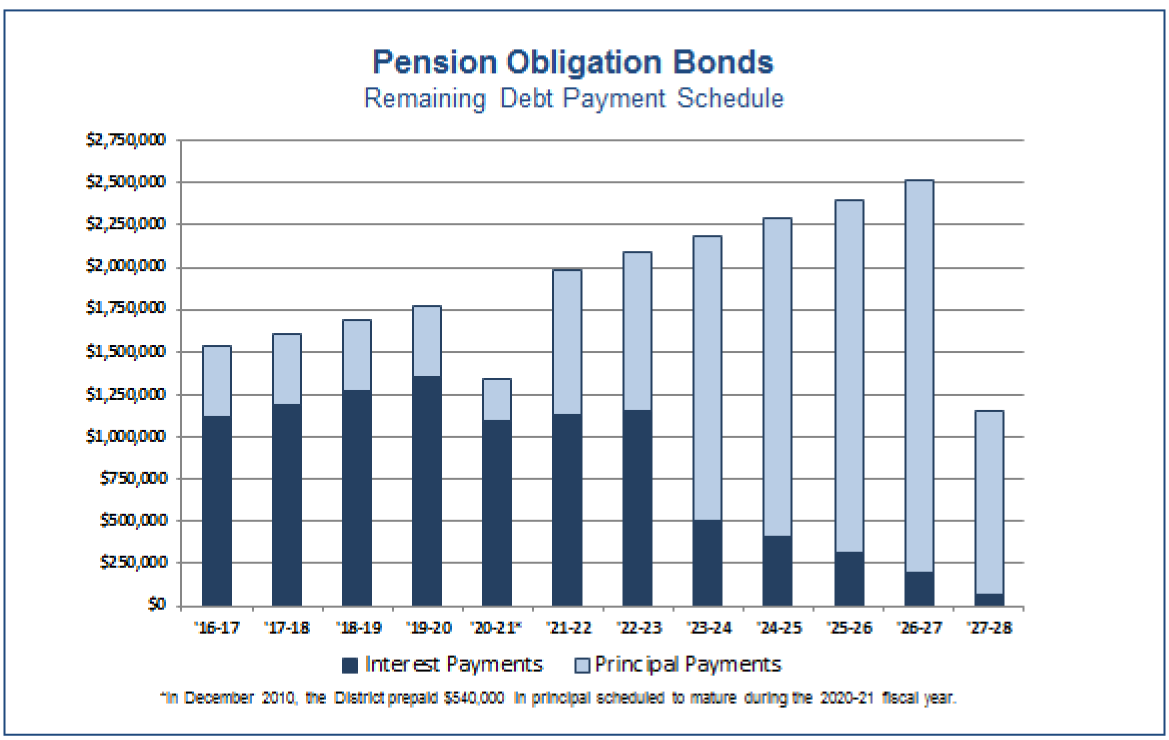
Debt Administration

As of June 30, 2016, the District has a total of $26,185,841 in bonds outstanding. The bond balance includes:

- $13,430,000 in general obligation bonds. The general obligation bonds were originally issued during the 2000-01 fiscal year. A portion of the original bonds was refinanced at a lower interest rate in 2005 and the remaining portion of the bonds was refinanced at a lower interest rate in 2006. The 2005 and 2006 series bonds were then refinanced at a lower interest rate during the 2014-15 fiscal year. The District's 2014-15 refinancing accelerated the repayment schedule. Debt service payments due in the 2027-28 and 2028-29 fiscal years were eliminated and a debt service payment due in the 2026-27 fiscal year was reduced by more than half.

- $12,755,841 in pension obligation bonds issued during the 2002-03 fiscal year. Maturities continue through 2028. The pension obligation bond balance reflects the District's decision to participate in the Oregon School Boards Association's Pooled PERS Bond Program. Bond proceeds were invested with the Oregon Public Employees Retirement System to reduce the District's unfunded pension liability. Savings are achieved when investment returns exceed the debt service on the bonds.





Including interest plus principal payments, the remaining general obligation bond debt service payments total $16,520,900 and the remaining pension obligation bond debt service payments total $22,548,991.

PERS Pension Side Account Balance and Unfunded Actuarial Valuation

According to the most recent actuarial valuation report completed by Milliman, Inc. the value of the District's PERS pension side account as of December 31, 2015 was $20,788,489. The side account balance is used to offset current and future employer PERS contribution rates. The following table reconciles the side account balance during the 2015 calendar year:

Side account as of December 31, 2014	**$22,201,630**
Deposits during 2015	$0
Administrative expense	-$2,000
Amount transferred to employer reserves during 2015	-$1,876,998
Side account earnings during 2015	$465,858
Side account as of December 31, 2015	**$20,788,489**

Source: Milliman, Inc. Actuarial Valuation Report December 31, 2015 Oregon Public Employees Retirement System School District Pool Sweet Home School District #55 -- #3618 September 2016

This valuation in the MD&A is provided for informational purposes only. As noted earlier, the June 30, 2016 government-wide financial statements do not directly include the District's side account balance.

2016-17 Budget

The budget for the 2016-17 fiscal year has total appropriations of $36,665,531 as compared to the 2015-16 budget of $34,713,736, an increase of 5.6 percent. The increase is primarily due to additional state revenue. The District also received a State seismic grant to upgrade the high school auditorium.

Requests for Information

The financial report is designed to provide taxpayers, parents, employees, students, investors and creditors with an overview of the District's finances. If you have questions about this report, please contact the Sweet Home School District Business Office.

Kevin Strong, Business Manager

December 30, 2016
Date

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2016

	Primary Government
	Governmental Activities
ASSETS:	
Current:	
Cash and investments	$ 8,061,145
Property taxes receivable	585,866
Other receivables	466,023
Noncurrent:	
Capital assets, non-depreciable	340,086
Capital assets, depreciable (net of depreciation)	15,803,224
Total Assets	25,256,344
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows on Refunding	335,486
Net Pension Related Deferrals	1,061,985
Total Deferred Outflows	1,397,471
LIABILITIES:	
Accounts payable	34,087
Accrued payroll, taxes, and employee withholdings	844,623
Accrued vacation	78,947
Unearned Revenue	7,054
Interest payable	19,262
Noncurrent liabilities:	
Proportionate share of net pension liability	1,784,534
Due within one year	1,379,639
Due in more than one year	26,281,786
Total Liabilities	30,429,932
DEFERRED INFLOWS OF RESOURCES	
Net Pension Related Deferrals	374,079
NET POSITION:	
Net Investment in Capital Assets	3,722,955
Restricted	2,856,064
Unrestricted	(10,729,215)
Total Net Position	$ (4,150,196)

See accompanying notes to basic financial statements.

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

FUNCTIONS		EXPENSES
Instruction	$	12,474,614
Support Services		8,094,299
Community Services		978,477
Interest on Long-Term Debt		2,825,348
Total Governmental Activities	$	24,372,738

See accompanying notes to basic financial statements.

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

PROGRAM REVENUES		
CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
$ 60,890	$ 1,440,384	$ (10,973,340)
-	779,167	(7,315,132)
140,556	159,040	(678,881)
-	-	(2,825,348)
$ 201,446	$ 2,378,591	(21,792,701)

General Revenues	
Taxes:	
Property Taxes, Levied for General Purposes	4,359,895
Property Taxes, Levied for Debt Service	1,376,762
State Revenue Sharing	16,538,909
Grants and Contributions Not Restricted to Specific Programs	
Intermediate Sources	179,683
Interest and Investment Earnings	62,451
Unrestricted local sources	165,218
Total General Revenues	22,682,918
Changes in Net Position	890,217
Net Position - Beginning	(5,040,413)
Net Position - Ending	$ (4,150,196)

See accompanying notes to basic financial statements.

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTALS
ASSETS:				
Cash and cash equivalents	$ 2,529,665	$ 2,146,322	$ 3,385,158	$ 8,061,145
Property taxes receivable	440,612	-	145,254	585,866
Accounts receivable	53,576	412,447	-	466,023
Total Assets	$ 3,023,853	$ 2,558,769	$ 3,530,412	$ 9,113,034
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ 34,067	$ 20	$ -	$ 34,087
Payroll liabilities	844,623	-	-	844,623
Unearned Revenue	-	7,054	-	7,054
Total Liabilities	878,690	7,074	-	885,764
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	402,630	-	125,612	528,242
Total Deferred Inflows of Resources	402,630	-	125,612	528,242
Fund Balances:				
Restricted for:				
Debt Service	-	-	304,369	304,369
Grants and Other	-	2,551,695	-	2,551,695
Committed to PERS Debt Service	-	-	3,100,431	3,100,431
Unassigned	1,742,533	-	-	1,742,533
Total Fund Balances	1,742,533	2,551,695	3,404,800	7,699,028
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,023,853	$ 2,558,769	$ 3,530,412	$ 9,113,034

See accompanying notes to basic financial statements.

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

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

Total Fund Balances - Governmental Funds		$ 7,699,028
Capital assets are not financial resources and therefore are not reported in the governmental funds.		
Cost	$ 29,648,999	
Accumulated Depreciation	(13,505,689)	
		16,143,310
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore are not reported as revenue in the governmental funds.		528,242
The Net Pension Asset (Liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.		(1,784,534)
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Position.		
Current or advanced refundings resulting in the defeasance of debt are recorded as a deferred outflow (loss) or deferred inflow (gain).		335,486
Deferred Inflows and Outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.		687,906
Long-term Liabilities		
Interest Payable	$ (19,262)	
Accrued Vacation	(78,947)	
Termination Benefits	(1,169,855)	
Bonds payable	(26,491,570)	
		(27,759,634)
Net Position		$ (4,150,196)

See accompanying notes to basic financial statements.

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

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

REVENUES:	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTALS
From Local Sources	$ 4,620,938	$ 323,591	$ 3,205,588	$ 8,150,117
From Intermediate Sources	177,869	1,814	-	179,683
From State Sources	16,300,025	238,884	-	16,538,909
From Federal Sources	113,221	2,127,032	-	2,240,253
Total Revenues	21,212,053	2,691,321	3,205,588	27,108,962
EXPENDITURES:				
Current:				
Instruction	12,071,224	822,921	-	12,894,145
Support Services	7,808,563	639,185	3,200	8,450,948
Enterprise and Community Services	137,262	972,206	-	1,109,468
Facilities Acquisition	-	239,642	-	239,642
Debt Service	-	-	2,823,508	2,823,508
Total Expenditures	20,017,049	2,673,954	2,826,708	25,517,711
Revenues over (under) expenditures	1,195,004	17,367	378,880	1,591,251
Other Financing Sources, (Uses):				
Transfers In	-	760,000	-	760,000
Transfers Out	(842,375)	-	-	(842,375)
Total other financing sources (uses)	(842,375)	760,000	-	(82,375)
Net Change in Fund Balance	352,629	777,367	378,880	1,508,876
Beginning Fund Balance	1,389,904	1,774,328	3,025,920	6,190,152
Ending Fund Balance	$ 1,742,533	$ 2,551,695	$ 3,404,800	$ 7,699,028

See accompanying notes to basic financial statements.

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

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

Total Net Changes in Fund Balances - Governmental Funds		$ 1,508,876
Lont-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position. This is the amount of debt principal repaid (net)		
Reductions in Long-Term Debt	$ 1,255,590	1,255,590
Amortization of loss on refunding of debt		37,276
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest in recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(1,840)
Capital Outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation.		
Expenditures for capital assets (net)	$ 605,827	
Depreciation Expense	(774,734)	
		(168,907)
Compensated absences are recognized as expenditure in the governmental funds when they are paid. In the Statement of Activities these liabilities are recognized as an expenditure when earned.		33,583
The Pension Expense represents the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits.		(1,786,823)
Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes a deferred revenue for all property taxes levied but not received, however in the Statement of Activities, there is no deferred revenue and the full property tax receivable is accrued.		12,462
Change in Net Position of Governmental Activities		$ 890,217

See accompanying notes to basic financial statements.

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

STATEMENT OF FIDUCIARY NET POSITION - ALL TRUST AND AGENCY FUNDS
June 30, 2016

	TRUST FUNDS	AGENCY FUNDS
ASSETS:		
Cash	$ 560,912	$ 856,485
Total Assets	560,912	856,485
LIABILITIES:		
Current Liabilities	-	416
Due to Student Activity Organizations	-	856,069
Total Liabilities	-	856,485
NET POSITION:		
Restricted for trust funds	550,000	-
Restricted of Josai and Youth Initiative Programs	10,912	-
Total Net Position	$ 560,912	$ -

See accompanying notes to basic financial statements.

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

STATEMENT OF CHANGES IN NET POSITION
ALL TRUST FUNDS
For the Year Ended June 30, 2016

		TRUST FUNDS
ADDITIONS		
Local Sources	$	5,616
Transfers from General Fund		82,375
Total Additions		87,991
DEDUCTIONS		
Total Disbursements		13,943
Change in Net Position		74,048
Beginning Net Position		486,864
Ending Net Position	$	560,912

See accompanying notes to basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Basic Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

The Sweet Home School District No. 55 is a municipal corporation governed by an elected nine member board. The District was organized under provisions of Oregon Statutes Chapter 332 for the purpose of operating elementary and secondary schools. As required by accounting principles generally accepted in the United States of America, these Basic Financial Statements present Sweet Home School District No. 55 (the primary government) and any component units. The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. Accounting principles generally accepted in the United States of America require that these financial statements present the District and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statements 14, 39, and 61 are separate organizations that are included in the District's reporting District because of the significance of their operational or financial relationships with the District. There are no component units for Sweet Home School District.

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

Government Wide Financial Statements (GWFS)

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with GASB Statement No. 33 "Accounting and Financial Reporting for Non-exchange Transactions." Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All direct expenses are reported by function in the Statement of Activities. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and it reported separately on the Statement of Activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole. Program revenues reduce the cost of the function to be financed from the District's general revenues and include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Fund Financial Statements

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

Governmental Fund Types

Governmental funds are used to account for general governmental activities. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both 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. Expenditures generally are recorded when a liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, interfund transactions, and certain compensated absences which are recognized as expenditures because they will be liquidated with expendable financial resources.

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

There are the following major governmental funds:

General Fund

This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. The principal revenue sources are property taxes and an apportionment from the State of Oregon School Support Fund.

Debt Service Fund

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds, and for the one time receipt and disbursements to escrow of the proceeds of the 2002 and 2003 limited tax pension obligation bonds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Fund

This fund accounts for revenues and expenditures of grants restricted for specific educational projects. The principal revenue source is restricted federal, state and local grants.

Additionally, there is the following other fund type:

Fiduciary Fund

This fund type is comprised of Agency Funds which account for the transactions of the District's student body activity accounts, and a Trust fund which accounts for the Josai and Youth Initiative programs and other trust funds.

Use of Estimates

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

Cash and Cash Equivalents

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

Fair Value Inputs and Methodologies and Hierarchy

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

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access
Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)
Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund’s own assumptions used in determining the fair value of investments)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Ad valorem property taxes are levied and become a lien on all taxable property as of July 1. Property taxes are payable on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are shown in the balance sheet. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

Grants

Unreimbursed grant expenditures due from grantor agencies are recorded as receivables and revenues. Cash received from grantor agencies in excess of related grant expenditures that is to be carried over to the next fiscal year is recorded as a liability, unearned revenue.

Supply Inventories

All supply inventories are valued at cost (first-in, first-out method). Inventories of governmental funds are recorded as expenditures when purchased. Management has determined that supply inventories are immaterial, and accordingly there are no inventories reported in the financial statements.

Capital Assets

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

Buildings and Improvements	20 to 50 years
Vehicles and Equipment	5 to 15 years

Deferred Inflows and Outflows 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 positions that applies to a future period(s) and so will not be recognized as on outflow of resources (expense/expenditure) until then. The government has two items that qualify as a deferred outflow: pension-related deferrals and loss on refunding.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies as deferred inflows: pension-related deferrals. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long Term Obligations

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

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

Retirement Plans

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

Vested Compensated Absences

It is the policy to permit employees to accumulate earned unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued in the government wide statements. A liability is accrued in the governmental funds because vacation pay is expected to be liquidated with expendable available resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Operating interfund transactions are reported as transfers.

Net Position

Net position is comprised the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on net position use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There is net position restricted for debt service and grants.

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

Fund Balance

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

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.

- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official or officers to whom that authority has been given by the governing body.

- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles except the property taxes received after year-end are not considered budgetary resources in the funds, capital assets are expensed when purchased, inventory is expensed when purchased, long term debt is expensed when paid, depreciation and amortization expense is not reported, and the OPEB liability is expensed when paid.

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

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

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

For the year ended June 30, 2016, expenditures of the various funds were within authorized appropriations.

3. CASH AND INVESTMENTS

Deposits

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements was $1,087,747. Of this amount $306,959 was covered by federal depository insurance. Oregon Revised Statutes requires deposits be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

Investments

State statutes governing cash management are followed. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

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

Cash and Investments at June 30, 2016 (recorded at fair value) consisted of $8,061,145 in governmental activities, $560,912 in Trust Funds, and $856,485 in Agency Funds. $8,665,619 of these Cash and Investments were held in the State Local Government Investment Pool, and the remaining amount was held in bank deposits.

There were the following investments and maturities:

		Investment Maturities (in months)		
Investment Type	Fair Value	Less than 3	3-18	18-59
State Treasurers Investment Pool	$ 8,665,619		$ 8,665,619	$ -
Total	$ 8,665,619	$ -	$ 8,665,619	$ -

3. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk
Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB.

Credit Risk – Deposits
In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. There is no deposit policy for custodial credit risk.

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

Concentration of Credit Risk
At June 30, 2016, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in either of these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2016, there was compliance with all percentage restrictions.

4. GRANTS RECEIVABLE

Special revenue fund grants receivable includes claims for reimbursement of costs under various federal grant programs. There is no allowance for doubtful accounts as all is considered collectable by management.

5. CAPITAL ASSETS

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

	Capital Assets 7/1/2015	Additions	Deletions	Capital Assets 6/30/2016
Land & Land Improvements	$ 340,086	$ -	$ -	$ 340,086
Buildings & Improvements	24,759,149	722,809	15,570	25,466,388
Construction in Progress	230,179	-	230,179	-
Equipment and Vehicles	3,737,949	113,197	8,621	3,842,525
	29,067,363	836,006	254,370	29,648,999
Accumulated Depreciation:				
Buildings and Improvements	9,785,234	638,552	15,570	10,408,216
Vehicles and Equipment	2,969,912	136,182	8,621	3,097,473
Total Accumulated Depreciation	12,755,146	$ 774,734	$ 24,191	13,505,689
Capital Assets, Net	$ 16,312,217			$ 16,143,310

5. CAPITAL ASSETS (CONTINUED)

Depreciation was allocated to the functions as follows:

Instruction	$	444,878
Support		291,577
Community Services		38,279
Total Depreciation Expense	$	774,734

6. PENSION PLAN

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

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

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

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

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

   ii. **Death Benefits**. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member’s account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
   - member was employed by PERS employer at the time of death,
   - member died within 120 days after termination of PERS covered employment,
   - member died as a result of injury sustained while employed in a PERS-covered job, or
   - member was on an official leave of absence from a PERS-covered job at the time of death.

   iii. **Disability Benefits**. A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

6. PENSION PLAN (CONTINUED)

iv. **Benefit Changes After Retirement**. Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

b. **OPSRP Pension Program (OPSRP DB)**. The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

i. **Pension Benefits**. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

ii. **Death Benefits**. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

iii. **Disability Benefits**. A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

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

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2016 were $667,446, excluding amounts to fund employer specific liabilities.

6. PENSION PLAN (CONTINUED)

Pension Asset or Liability - At June 30, 2016, the District reported a net pension liability of $1,784,534 for its proportionate share of the net pension asset. The pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2013, the District's proportion was .03 percent.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 96,231	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	374,079
Changes in Proportionate Share	59,073	-
Changes in proportion and differences between District contributions and proportionate share of contributions	239,235	-
District contributions subsequent to measuring date	667,446	-
Deferred outflow (inflow) of resources	$ 1,061,985	$ 374,079
Net Pension Related Deferral at measurement date		(20,460)

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

Year Ending June 30,	Amount
2017	$ (82,247)
2018	(82,247)
2019	(82,247)
2020	243,164
2021	24,037
Total	$ 20,460

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

http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx.

6. PENSION PLAN (CONTINUED)

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

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

Actuarial Methods and Assumptions:

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

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

6. PENSION PLAN (CONTINUED)

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

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

	Decrease (6.75%)	Rate (7.75%)	Increase (8.75%)
District's proportionate share of the net pension liability	$ 4,306,906	$ 1,784,534	$ (341,163)

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

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

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's

6. PENSION PLAN (CONTINUED)

IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP. The District makes this contribution on behalf of its employees.

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

7. DEFERRED COMPENSATION PLAN

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

8. LONG-TERM DEBT

BONDS PAYABLE:

General Obligation Bonds

On June 13, 2001, the District issued $18,720,250 in voter approved general obligation bonds. Proceeds were used to renovate Sweet Home High School, add classroom space at Hawthorne Elementary School, upgrade heating systems throughout the district and complete a variety of other capital improvements at District facilities. In 2005, the District issued General Obligation Refunding Bonds to advance refund the 2001 series bonds at lower interest rates.

On February 17, 2015 and March 3, 2015, the District issued a total of $14,375,000 in General Obligation Refunding Bonds to refund the remaining 2005 series bonds at lower interest rates. This refunding was structured to shorten the final maturity. Debt service payments due in 2028 and 2029 were eliminated and a debt service payment due in 2027 was reduced.

Pension Obligation Bonds

On April 3, 2003 and October 9, 2002, $9,199,658 and $8,089,414 respectively, of limited tax pension obligation bonds were issued to finance the unfunded actuarially accrued liability (UAL) with the State of Oregon Public Employees Retirement System (PERS). The issuance of the bonds was considered an advance refunding of the District's UAL. The actual savings realized over the life of the bonds is uncertain because of the various legislative changes and legal issues pending with the PERS system which could impact the District's future required contribution rate.

Debt service payments for the pension obligation bonds will continue through the 2027-28 fiscal year. Future increases of the annual debt service payment will range from 4.6 percent to 5.3 percent annually. The bonds include deferred interest obligations where interest is payable at maturity and current interest obligations where interest is due semi-annually.

8. LONG-TERM DEBT (CONTINUED)

Changes in bonds outstanding are as follows:

Issue Date	Interest Rates	Original Issue	Outstanding July 1, 2015	Issued	Matured And Redeemed	Outstanding June 30, 2016
October 9, 2002	2.06 - 6.10	8,089,414	$ 6,317,645	$ -	$ 163,009	$ 6,154,636
April 3, 2003	1.50 - 6.27	9,199,658	6,851,016	-	249,811	6,601,205
February 17, 2015	2.50-4.0	8,800,000	8,800,000	-	-	8,800,000
March 3, 2015	2.0-3.0	5,575,000	5,575,000	-	945,000	4,630,000
			$ 27,543,661	$ -	$ 1,357,820	$ 26,185,841

Future maturities of bonds are payable as follows:

Fiscal Year Ending June 30,	Principal	Interest
2017	$ 1,345,919	$ 1,582,349
2018	1,408,074	1,632,296
2019	1,466,159	1,679,510
2020	1,528,304	1,735,865
2021	1,429,472	1,441,247
2022-2026	14,807,913	4,528,196
2027-2028	4,200,000	284,587
Total	$ 26,185,841	$ 12,884,050

The District paid $540,000 in principal on callable bonds from the October 9, 2002 issue that were to be due during the fiscal year 2020-21, saving $326,700 in interest payments.

Total long-term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additons	Reductions	Ending Balance	Due Within One Year	Due In More Than One Year
Bonds Payable	$ 27,543,661	$ -	$ 1,357,820	$ 26,185,841	$ 1,345,919	$ 24,839,922
OID Accrual	(1,217,736)	-	(243,547)	(974,189)	(243,547)	(730,642)
Bond Premium	1,396,274	-	116,356	1,279,918	116,356	1,163,562
Post-retirement	1,269,368	-	99,513	1,169,855	160,911	1,008,944
Total Long-term Liabilities	$ 28,991,567	$ -	$ 1,330,142	$ 27,661,425	$ 1,379,639	$ 26,281,786
Loss on Bond Refunding	(372,762)	-	(37,276)	(335,486)	(37,276)	(298,210)

9. TERMINATION BENEFITS

Early Retirement Stipend Plan – Termination Benefits

Plan Description – An early retirement supplement program is maintained for some employees. The plan is, in substance, a single employer defined benefit plan established under collective bargaining agreements.

Eligible certificated employees must have been hired on or before June 30, 1999, be eligible for retirement under PERS rules, and have either ten years of full-time employment with the District at the time of retirement or be at least age 55 with ten years in the District at the time of retirement. The early retirement program provides certificated employees hired on or before June 30, 1998 with a monthly stipend of $445 per month for seven consecutive years or to age 65, whichever occurs first. For certificated employees hired from July 1, 1998 through June 30, 1999, a monthly stipend not to exceed $445 per month is based on the following calculation: (Years of service with the District/30 years x $445 per month) for seven years or to age 65, whichever occurs first.

Eligible administrative and confidential employees must have been hired on or before September 1, 1999, be eligible for retirement under PERS rules, and have seven years of employment with the District at the time of retirement. The early retirement program provides eligible administrative and confidential employees a monthly stipend equal to one percent of their final annual gross salary.

As of June 30, 2016, the District's potential non-discounted liability for its early retirement plan is $1,311,412 assuming employees eligible for the early retirement retire following 30 years of employment unless retiring sooner will result in a larger early retirement benefit. If so, the higher benefit amount is used in the calculation.

In accordance with GASB Statement 47 – Termination Benefits, a liability has been determined. The net present value of the District's June 30, 2016 potential early retirement liability is $1,169,855 based on a calculation using the June 30, 2016 ten year treasury yield of 1.49 percent.

Total plan expenditures for the 2015-16, 2014-15 and 2013-14 fiscal years were $145,186, $202,347 and $160,550.

An Early Retirement Fund was established during the 2005-06 fiscal year. As of June 30, 2016, $550,000 has been placed into this fund, which is included with Trust Funds for accounting purposes.

Other Post-Employment Benefits

The District's actuary has determined that no liability exists for the implicit subsidy provided to retirees who buy back into the group health insurance plan.

10. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage.

11. INTERFUND TRANSFERS

Amounts are comprised of the following:

	Transfers Out	Transfers In
General Fund	$ 842,375	$ -
Special Revenue Fund	-	760,000
Trust Fund	-	82,375
Totals	$ 842,375	$ 842,375

The General Fund transferred $760,000 to Special Revenue Funds. This amount includes $625,000 to the Long Term Maintenance Fund, $100,000 to the Curriculum and Instruction Fund, and $35,000 to the Nutrition Services Fund. The General Fund transferred $82,375 to Trust Funds. This amount included $75,000 to the Early Retirement Liability Fund and $7,375 to the Josai Cultural Exchange Program Fund.

12. PROPERTY TAX LIMITATION

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

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

13. FUND BALANCE CONSTRAINTS

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

Fund Balances:	General Fund	Special Revenue Fund	Debt Service Fund	Total
Nonspendable:				
Prepaid & Inventory	$ -	$ -	$ -	$ -
Restricted:				
Grants and Other	-	2,551,695	-	2,551,695
Debt Service	-	-	304,369	304,369
	-	2,551,695	304,369	2,856,064
Committed to:				
PERS Debt Service	-	-	3,100,431	3,100,431
	-	-	3,100,431	3,100,431
Unassigned:	1,742,533	-	-	1,742,533
Total Fund Balances	$ 1,742,533	$ 2,551,695	$ 3,404,800	$ 7,699,028

14. COMMITMENTS AND CONTINGENCIES

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

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The federal audits for these programs for the year ended June 30, 2016 have not been conducted. Accordingly, compliance with grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although such amounts are expected by management to be immaterial.

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

Individual Major Fund Budgetary Basis Schedules

REQUIRED SUPPLEMENTARY INFORMATION

For the fiscal year ended June 30, 2016

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPA)	(b) Employer's proportionate share of the net pension liability (NPA)	(c) District's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.03 %	$ 1,784,534	$ 9,576,201	18.6 %	91.9 %
2015	0.03	(626,540)	9,366,579	(6.7)	103.6
2014	0.03	1,410,555	9,213,667	15.3	92.0

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

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

SCHEDULE OF CONTRIBUTIONS

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2016	$ 667,446	$ 667,446	$ -	$ 10,263,068	6.5 %
2015	1,106,386	1,106,386	-	9,576,201	11.6
2014	1,078,400	1,078,400	-	9,366,579	11.5

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

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

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2016

GENERAL FUND

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	$ 4,385,500	$ 4,385,500	$ 4,620,938	$ 235,438
Intermediate Sources	125,000	125,000	177,869	52,869
State Sources	16,066,045	16,066,045	16,300,025	233,980
Federal Sources	-	-	113,221	113,221
Total Revenues	20,576,546	20,576,546	21,212,053	635,507
EXPENDITURES				
Instruction	12,398,741	12,398,741 (1)	12,071,224	327,517
Support Services	7,809,452	7,809,452 (1)	7,808,563	889
Enterprise and Community Services	137,264	137,264 (1)	137,262	2
Contingency	1,113,589	838,589 (1)	-	838,589
Total Expenditures	21,459,046	21,184,046	20,017,049	1,166,997
Excess of Revenue Over, (Under) Expenditures	(882,500)	(607,500)	1,195,004	1,802,504
OTHER FINANCING SOURCES, (USES)				
Transfers Out	(567,500)	(842,500) (1)	(842,375)	125
Total Other Financing Sources, (Uses)	(567,500)	(842,500)	(842,375)	125
Net Change in Fund Balance	(1,450,000)	(1,450,000)	352,629	1,802,629
Beginning Fund Balance	1,450,000	1,450,000	1,389,904	(60,096)
Ending Fund Balance	$ -	$ -	$ 1,742,533	$ 1,742,533

(1) Appropriation Level

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET -BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2016

SPECIAL REVENUE FUND

	BUDGET ORIGINAL	BUDGET FINAL		TOTAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:					
Local Sources	$ 525,000	$ 525,000		$ 323,591	$ (201,409)
Intermediate Source	-	-		1,814	1,814
State Sources	125,000	125,000		238,884	113,884
Federal Sources	2,030,691	2,030,691		2,127,032	96,341
Total Revenues	2,680,690	2,680,690		2,691,321	10,631
EXPENDITURES:					
Instruction	1,035,601	1,035,601	(1)	822,921	212,680
Support Services	775,285	775,285	(1)	639,185	136,100
Enterprise & Community Services	1,094,804	1,094,804	(1)	972,206	122,598
Facilities Acquisition & Construction	675,000	675,000	(1)	239,642	435,358
Contingency	1,170,000	1,445,000	(1)	-	1,445,000
Total Expenditures	4,750,690	5,025,690		2,673,954	2,351,736
Excess of Revenues Over, -Under Expenditures	(2,070,000)	(2,345,000)		17,367	2,362,367
Other Financing Sources (Uses):					
Transfers - In	-	275,000		760,000	485,000
Total Other Financing Uses	-	275,000		760,000	485,000
Net Change in Fund Balance	(2,070,000)	(2,070,000)		777,367	2,847,367
Beginning Fund Balance	2,070,000	2,070,000		1,774,328	(295,672)
Ending Fund Balance	$ -	$ -		$ 2,551,695	$ 2,551,695

(1) Appropriation Level

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

SUPPLEMENTARY INFORMATION

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2016

DEBT SERVICE FUND

	BUDGET				VARIANCE TO FINAL BUDGET
REVENUES:	ORIGINAL	FINAL		ACTUAL	POSITIVE (NEGATIVE)
Local Sources:					
Property Taxes and Other	$ 3,120,000	$ 3,120,000		$ 3,205,588	$ 85,588
Total Revenues	3,120,000	3,120,000		3,205,588	85,588
EXPENDITURES:					
Support Services:	5,000	5,000	(1)	3,200	1,800
Debt Service:	2,823,510	2,823,510	(1)	2,823,508	2
Total Expenditures	2,828,510	2,828,510		2,826,708	1,802
Net Change in Fund Balance	291,490	291,490		378,880	87,390
Beginning Fund Balance	2,980,000	2,980,000		3,025,920	45,920
Ending Fund Balance	$ 3,271,490	$ 3,271,490		$ 3,404,800	$ 133,310

(1) Appropriation Level

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2016

FIDUCIARY FUND

	BUDGET ORIGINAL	BUDGET FINAL		TOTAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:					
Local Sources:					
Extra-curricular	$ 800,000	$ 800,000		$ 866,004	$ 66,004
Total Revenues	800,000	800,000		866,004	66,004
EXPENDITURES:					
Instruction	1,282,500	1,282,500	(1)	567,103	715,397
Support Services	4,000	4,000	(1)	3,572	428
Operating Contigency	550,000	550,000	(1)	-	550,000
Total Expenditures	1,836,500	1,836,500		570,675	715,825
Excess of Revenues Over, -Under Expenditures	(1,036,500)	(1,036,500)		295,329	1,331,829
Other Financing Sources (Uses):					
Transfers - In	82,500	82,500		82,375	(125)
Total Other Financing Uses	82,500	82,500		82,375	(125)
Net Change in Fund Balance	(954,000)	(954,000)		377,704	1,331,704
Beginning Fund Balance	954,000	954,000		1,039,277	85,277
Ending Fund Balance	$ -	$ -		$ 1,416,981	$ 1,416,981

(1) Appropriation level

Reported on the Statement of Fiduciary Net Position as:

Trust Funds	560,912
Due to Student Organizations	856,069
Total Ending Fund Balance	$ 1,416,981

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

SCHEDULE OF BOND AND INTEREST TRANSACTIONS AND BALANCES
For the Year Ended June 30, 2016

DATE OF ISSUE	MATURED BONDS & COUPONS OUTSTANDING 7/1/15	BONDS & COUPONS MATURING DURING THE YEAR	BONDS REDEEMED AND COUPONS PAID DURING THE YEAR	MATURED BONDS & COUPONS OUTSTANDING 6/30/16
10/9/2002	$ 6,317,645	$ (163,009)	$ (163,009)	$ 6,154,636
4/3/2003	6,851,016	(249,811)	(249,811)	6,601,205
2/17/2015	8,800,000	-	-	8,800,000
3/6/2015	5,575,000	(945,000)	(945,000)	4,630,000
	$ 27,543,661	$ (1,357,820)	$ (1,357,820)	$ 26,185,841

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS
June 30, 2016

	ISSUE OF 10/09/02		ISSUE OF 4/03/03		ISSUE OF 2/17/15		ISSUE OF 3/6/15			
YEAR	PRINCIPAL Due 6/30	INTEREST Due 6/30	PRINCIPAL Due 6/30	INTEREST Due 6/30	PRINCIPAL Due 2/1	INTEREST Due 8/1 & 2/1	PRINCIPAL Due 2/1	INTEREST Due 8/1 & 2/1	TOTAL PRINCIPAL	TOTAL INTEREST
2016-17	$ 165,970	$ 522,329	$ 249,949	$ 591,320	$ -	$ 329,800	$ 930,000	$ 138,900	$ 1,345,919	$ 1,582,349
2017-18	168,126	555,173	249,948	636,323	-	329,800	990,000	111,000	1,408,074	1,632,296
2018-19	169,315	588,984	246,844	679,426	-	329,800	1,050,000	81,300	1,466,159	1,679,510
2019-20	171,225	627,074	247,079	729,191	-	329,800	1,110,000	49,800	1,528,304	1,735,865
2020-21 *	-	318,149	244,472	776,798	635,000	329,800	550,000	16,500	1,429,472	1,441,247
2021-22	610,000	303,299	243,555	827,714	1,290,000	304,400	-	-	2,143,555	1,435,413
2022-23	690,000	269,871	244,358	881,912	1,385,000	252,800	-	-	2,319,358	1,404,583
2023-24	775,000	231,990	900,000	276,270	1,480,000	197,400	-	-	3,155,000	705,660
2024-25	865,000	188,978	1,010,000	225,780	1,560,000	160,400	-	-	3,435,000	575,158
2025-26	965,000	140,970	1,125,000	168,412	1,665,000	98,000	-	-	3,755,000	407,382
2026-27	1,075,000	87,413	1,250,000	104,512	785,000	31,400	-	-	3,110,000	223,325
2027-28	500,000	27,750	590,000	33,512	-	-	-	-	1,090,000	61,262
2028-29	-	-	-	-	-	-	-	-	-	-
TOTALS	$ 6,154,636	$ 3,861,980	$ 6,601,205	$ 5,931,170	$ 8,800,000	$ 2,693,400	$ 4,630,000	$ 397,500	$ 26,185,841	$ 12,884,050

* 2020-21 bond was callable, and was prepaid by Sweet Home School District in the amount of the $540,000 principal during the 2010-11 fiscal year.

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

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

GENERAL FUND

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2015	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/2016
GENERAL FUND:						
Current:						
2015-16	$ 4,435,162	$ 95,133	$ (4,865)	$ 2,108	$ 4,171,829	$ 163,335
Prior Years:						
2014-15	154,755	(6)	(555)	4,671	62,680	91,526
2013-14	96,250	(2)	(1,318)	5,327	29,015	65,918
2012-13	69,929	(1)	(1,465)	7,867	28,589	39,876
2011-12	39,176	(0)	(1,423)	4,331	11,777	25,977
2010 & prior	60,986	0	(4,468)	1,924	2,539	53,980
Total Prior	421,095	(9)	(9,228)	24,119	134,600	277,276
Total General Fund	$ 4,856,258	$ 95,124	$ (14,094)	$ 26,227	$ 4,306,429	$ 440,612

RECONCILIATION TO REVENUE:	GENERAL FUND
Cash Collections by County Treasurers Above	$ 4,306,429
Accrual of Receivables:	
Taxes in Lieu	28,241
June 30, 2015	(25,219)
June 30, 2016	37,982
Total Revenue	$ 4,347,433

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

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

DEBT SERVICE FUND

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2015	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/2016
Current:						
2015-16	$ 1,451,045	$ 57,668	$ (1,592)	$ 690	$ 1,338,347	$ 53,438
Prior Years:						
2014-15	52,990	(2)	(190)	1,599	21,462	31,340
2013-14	28,670	(1)	4,611	1,867	10,172	23,110
2012-13	19,548	-	4,209	2,730	9,920	13,837
2011-12	11,200	-	2,209	1,538	4,183	9,227
2010 & prior	16,159	-	(1,184)	510	673	14,303
Total Prior	128,568	(3)	9,655	8,245	46,411	91,815
Total Debt Service Fund	$ 1,579,613	$ 57,665	$ 8,064	$ 8,934	$ 1,384,758	$ 145,254

RECONCILIATION TO REVENUE:	DEBT SERVICE FUND
Cash Collections by County Treasurers Above	$ 1,384,758
Accrual of Receivables:	
Taxes in Lieu	(18,974)
June 30, 2015	(8,664)
June 30, 2016	19,642
Total Revenue	$ 1,376,762

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

OTHER INFORMATION

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

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

A. Energy bills for heating - all funds:

		Objects 325 and 326
Function 2540	$	449,422
Function 2550		8,412

B. Replacement of equipment - General Fund:
Include all General Fund expenditures in Object 542, except for the following exclusions:
Exclude these functions:

					Amount
1113, 1122 & 1132	Co-curricular activities	4150	Construction	$	29,108
1140	Pre-kindergarten	2550	Pupil transportation		
1300	Continuing education	3100	Food service		
1400	Summer school	3300	Community services		

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

INDEPENDENT AUDITOR’S REPORT REQUIRED BY OREGON STATE REGULATIONS

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Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of the Sweet Home School District No. 55 as of and for the year ended June 30, 2016, and have issued our report thereon dated December 21, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

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

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

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

In connection with our testing nothing came to our attention that caused us to believe Sweet Home School District No. 55 was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

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

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

Matthew Graves

MATTHEW GRAVES, CPA
PAULY, ROGERS AND CO., P.C.

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

GRANT COMPLIANCE REVIEW

SWEET HOME SCHOOL DISTRICT NO. 55

LINN COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Number	Grant Period	Award	Expenditures	Passed Through
US. DEPARTMENT OF EDUCATION						
Passed Through Oregon Department of Education						
Title I Part A Cluster						
Title 1 Grants to LEA's	84.010	32699	7/1/14 - 9/30/16	$ 598,870	$ 126,429	$ -
Title 1 Grants to LEA's	84.010	36090	7/1/15 - 9/30/16	$ 598,420	$ 468,875	$ -
				$ 1,197,290	**$ 595,304**	**$ -**
Special Education - Grants to States (*Some Passed Through LBL ESD)*						
Special Education - Grants to States	84.027	33394	7/1/14 - 9/30/16	$ 400,244	$ 82,733	$ -
Special Education - Grants to States	84.027	36981	7/1/15 - 9/30/17	$ 420,123	$ 331,815	$ -
Special Education - Grants to States	84.027	38011	8/1/15 - 6/30/16	$ 3,488	$ 3,488	$ -
Special Education - Grants to States	84.027	35809	7/1/15 - 6/30/16	$ 900	$ 289	$ -
Special Education - Grants to States	84.027	33822	10/1/14 - 9/30/15	$ 5,305	$ 3,235	$ -
Special Education - Grants to States	84.027	38448	10/1/14 - 9/30/16	$ 5,305	$ 1,455	$ -
Special Education - Preschool Grants	84.173	37265	7/1/15 - 9/30/17	$ 3,416	$ 3,416	$ -
Special Education - Preschool Grants	84.173	33548	7/1/14 - 9/30/16	$ 4,377	$ 2,977	$ -
				$ 843,158	**$ 429,408**	**$ -**
YTP-Ore Voc Rehab	n/a	149092	7/1/16 - 6/30/16	$ 107,349	$ 39,618	$ -
Program Grant-Career Pathway	n/a	39279	12/1/15 - 6/30/16	$ 4,526	$ 4,526	$ -
Special Education - State Personnel Development	84.323	37337	8/1/15 - 7/30/16	$ 6,000	$ 6,000	$ -
				$ 117,875	**$ 50,144**	**$ -**
Title IIA - Improving Teacher Quality						
	84.367	33023	7/1/14 - 9/30/15	$ 112,934	$ 26,335	$ -
	84.367	36287	7/1/15 - 9/30/16	$ 114,317	$ 104,359	$ -
				$ 227,251	**$ 130,694**	**$ -**
Passed Through Linn Benton Community College						
Career and Technical Education- Basic Grants to States (Perkins IV)	84.048		7/1/15 - 6/30/16	$ 18,249	$ 18,249	$ -
				$ 18,249	**$ 18,249**	**$ -**
Passed Through Oregon Student Assist Commission						
Gear-Up Technology	84.334	12833	7/1/14 - 6/30/15	$ 25,000	$ 2,969	$ -
Interim Formative Assesesment	84.xxx	31625	7/1/14 - 6/30/15	$ 8,174	$ 5,791	$ -
Ford	84.xxx		7/1/14 - 12/31/15	$ 15,000	$ 9,705	$ -
				$ 48,174	**$ 18,465**	**$ -**
Total U.S. Department of Education					$ 1,242,264	$ -

SWEET HOME SCHOOL DISTRICT NO. 55
LINN COUNTY, OREGON

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

U.S. DEPARTMENT OF AGRICULTURE

				Revenue	Passed Through
Passed Through Linn County					
Passed Through Oregon Department of Education:					
Child Nutrition Cluster					
National School Lunch Program	10.553/5		7/1/15 - 6/30/16	$ 814,458	$ -
Summer Food	10.559		6/1/16 - 9/30/16	$ 31,447	$ -
				$ 845,905	**$ -**
Federal Forest Fees	10.665	N/A	7/1/15 - 6/30/16	$ 113,221	$ -
Fresh Fruit and Vegetable Program	10.582	40725	7/1/15 - 6/30/16	$ 38,921	$ -
Total U.S. Department of Agriculture				$ 998,047	$ -
TOTALS				**$ 2,240,311**	**$ -**

No federal assistance reported on the Schedule of Expenditures of Federal Awards was passed through to subrecipients during the year.

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December 21, 2016

To the Board of Directors
Sweet Home School District No. 55
Linn County, Oregon

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*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sweet Home School District No. 55 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Matthew Graves

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December 21, 2016

To the Board of Directors
Sweet Home School District No. 55
Linn County, Oregon

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

Report on Compliance for Each Major Federal Program

We have audited Sweet Home School District No. 55's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2016. The major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Sweet Home School District No. 55, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Matthew Graves

MATTHEW GRAVES, CPA
PAULY, ROGERS AND CO., P.C.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued — Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	☐ yes	☒ no
Significant deficiency(s) indentified that are not considered to be material weaknesses?	☐ yes	☒ none reported
Noncompliance material to financial statements noted?	☐ yes	☒ no
Any GAGAS audit findings disclosed that are required to be reported in accordance with section 515(d)(2) of the Uniform Guidance?	☐ yes	☒ no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	☐ yes	☒ no
Significant deficiency(s) indentified that are not considered to be material weaknesses?	☐ yes	☒ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance?	☐ yes	☒ no

IDENTIFICATION OF MAJOR PROGRAMS

CFDA NUMBER	NAME OF FEDERAL PROGRAM CLUSTER
10.553, 10.555 and 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?	☒ yes	☐ no

SECTION II – FINANCIAL STATEMENT FINDINGS

None Reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None Reported

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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