

**LINCOLN COUNTY SCHOOL DISTRICT**  
**BOARD OF TRUSTEES REGULAR MEETING**  
**WEDNESDAY, NOVEMBER 8, 2017 – 12:00 P.M.**  
LINCOLN COUNTY SCHOOL DISTRICT OFFICE  
1191 EDWARDS STREET, PANACA, NV 89042

**Members Present:** Ty Mizer, Patrick Kelley, Carolyn Harr, Wade Poulsen, Peggy Rowe  
**Superintendent:** Pam Teel  
**Principals:** Cherry Florence

**Call to Order / Pledge of Allegiance**

**President Mizer called the meeting to order at 12:07 p.m. and led the Pledge of Allegiance.**

**Public Comment**

None

**Approval of the Agenda – For Possible Action**

**Trustee Harr made a motion to approve the agenda, motion seconded by Trustee Poulsen; motion carried.**

**Approval of 2017 Annual Audit – Dan McArthur – For Possible Action**

Mr. McArthur – A few things I need to point out to you. Table of Contents – On an annual basis, you will approve a budget document and inside that budget document is all the funds of the district. We look at those funds and we have to separate them based on the type of the fund and the size of the fund. Inside the financial statement, there is a section – Accounting Principles - that are used by the district that are generally accepted. It talks about those accounting principles, if you want to spend the time reading that. In the financial section, we have an area called Basic Financial Statements. There are two types of basic financial statements. There is one called the Government-Wide Financial Statement and that is where all of the funds are added together into one whole. This is what the big picture looks like. In addition, that fund also includes depreciation expenses on the assets that the district owns. When you adopt a budget, this is an attempt to take a governmental financial statement and make it look like a business type financial statement. Below that you see Fund Financial Statements. This is where the information is more used to what you see when you look at them in a budget format. If you look under Governmental Funds, you see there the General Fund, COB High School, State Grants Fund and Federal Grants Fund. Those funds are basically pulled out separately because of the size of their funds in dollars compared to the other funds of the district. The smaller funds show up in a different part of the audit – NonMajor Funds. The larger funds are deemed Major and the smaller are deemed NonMajor.

Page 3 - The auditor's opinion concerning the financial statements of the school district. "In my 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 the District." As we have gone through and done our examination, we believe that the financial statements are materially correct. This means that we do not look at every single transaction, we come in on a test basis. We look at the transactions, and if we think we need to increase our tests, we do. The intent is to develop information to make sure the financial statements are true and accurate. If we went through every single one, we would be living here at the district.

Pg 13-14 - Basic Financial Statement - This is the statement where all the funds are added together into the one big number. Bottom of page 13 – Total net position - negative five hundred thousand dollars. That is if we were a for profit business. Start at the top with assets. You have twenty million in assets. There is a liability total of twenty four million. Due in more than one year – twenty two million. I want to explain that. Go to page 48 - the principal due on your bonds is \$4,545,400. The interest paid will be \$1,401,000. Look at the table below, Changes in Long Term Liabilities, There is a \$16, 386,271 number there. This is the net pension obligation. A couple of years ago the general accepted accounting standards changed for governmental agencies. They now require you to show on your financial statements, your share of the PERS liability that is statewide. Our share is sixteen million. Statue says that if you make your contributions to PERS, then it is not your liability. The district has made all of their contributions for this year I have to put this number in here to conform to the accounting standards. OPEB obligation-this is paying insurance for your retirees. This liability is going down each year and that liability will disappear. The net pension - is an estimate put together by an actuarial consultant for PERS. On page 13, inside the twenty two million is the sixteen million PERS liability. If I could remove that, the bottom line looks tremendously better.

Pg 61- General Fund – The charts explain what is taking place in the general fund. It is consistent to where it was in the prior year. Fund balance is \$1,390,871 this year compared to \$1,347,841 last year.

Pg 62 - Revenues – Local Sources is down from last year. Ad valorem taxes - The tax rate for the school district is fixed by statute. I have been noting in Lincoln County that the assessed valuation on which taxes are assessed has been dropping for the last several years. It is continuing to decline for the 18 year. State sources is driven by your pupil average daily enrollment. Enrollment changes will impact. 2016-2017 - 84 percent of the budget is salaries/benefits. That is what I expect.

Pg 65 - Expenditures – Total expenditures this year are \$10, 554,000 and last year \$10, 572,000. In the dollar range they are almost identical.

When we do audits, we have to look at compliance with budget requirements and if there are any budget issues. We do have one budget issue this year. There is budget violation that exists. It is on page 67. It is an insignificant number but the statute requires that it is noted. Co-curricular Athletics – Under benefits, there is a negative \$798. There is a budget overrun in that particular function. In total, on page 68, total expenditures, there is a positive \$6,261 under the budget variance area. It is an issue, because in the statute if the function goes over budget, it is the ending budget violation. It is noted in this audit report as a budget violation. Then there is another issue with COB. On the bottom of page 68, in fund balance end of year, it shows a fund balance negative \$129,629. This negative fund balance is basically driven by the average daily enrollment at COB. The basic pupil support for COB is less than anticipated causing the negative fund balance. It is noted in the financial statements at some point depending on how things are negotiated related to that negative fund balance if additional funds are received from the state that would rectify that. If ultimately that does not take place, that is going to be an issue the board has to deal with because the money has been spent. The only way to rectify the \$129,000 at this point is to take money from the general fund to my knowledge. This is listed in the audit report as well.

The NRS requires that when there are issues that relate, the auditor is supposed to make comments about compliance each year. On page 111, Current Year Statute Compliance - the first one says expenditures in excess of appropriations, that is the \$700 problem that exists. The next one says bidding procedures. During this year there was a vehicle purchased for \$45,000. It was purchased on a lease purchase agreement. The district can enter into a lease agreement to buy a piece of equipment, if there is a clause in there that says if the board fails to budget to make the payment in the following budget year, then the lease agreement is automatically null and void. No liability to the district, and we take the equipment back. This particular year, there was an agreement entered into for a vehicle. The total payments are around \$45,000. It has a non-funding clause in this lease agreement. But if you go out to purchase any asset, there is a bid requirement. That any asset purchased between \$25,000 to \$50,000, there is a requirement to solicit bids from two or more people. Over \$50,000, you have to advertise for bids. We felt the documentation wasn't adequate. So we have this comment in here about the need to do that. I am not saying it was done wrong. There are three areas in which there will be a response back to the Department of Taxation how the corrective action is taking place.

There are some estimates in this financial statement. Most of them are on that very first page we looked at. Depreciation is an estimate. PERS Liability is an estimate, and retiree insurance is an estimate. They are not tied down to hard numbers. This statement does have estimates that can change. I have to notify you of that. There is nothing in there that stands out that we should talk about. Federal grants fund, there is some increased money there than what was anticipated. State grant fund, I feel fine with that. I thought the audit went good and I appreciate the staff support in helping get this done and getting it here to you today.

Trustee Kelley – If C.O. Bastian is buying things for the school district or giving the school district money, where would you find that?

Mr. McArthur – If we go to pages 67-68. In this financial statement, there won't be anything in this statement where C.O. Bastian is buying things for the school district. Technically anything inside of this is the school districts'. C.O. Bastian activities are school district activities. If the question is, is there things in here that C.O. Bastian purchased that was not for C.O. Bastian and was for the school district itself. There is nothing in the statement. As far as payments are concerned. You want to know about money from COB to the general fund. If there is money that is being paid to COB from the general fund it would show on page 68 under other financing sources (uses). Let us go to another page that explains it better. Page 26. C.O. Bastian is one of the larger funds, and it shows up in two places. Other financing sources (uses), operating transfers out, budgeted on the original budget, a transfer out of \$100,000. That would be money going back to the general fund for administrative fees. Through the budget year, you have the option of making adjustments. In December of each year, you will make adjustments based on statute. Then you can do additional adjustments. You made the decision to remove the \$100,000 off of the budget. So, no money went back to the general fund this year. This fund has a negative balance of \$129,000. It was unbudgeted through a budget amendment by the board. On page 25, the COB contact, a payment comes from the state. You can see the budgeted payment was \$321,760. You can see other, \$245,175. There was an anticipated budget adjustment believing there may be additional money coming from the state to help cover the budget shortfall of \$129,000. It did not come in. There was no money transferred this year.

Trustee Harr – Will you reiterate the two problems and what is happening to fix it?

Mr. McArthur – The \$798 is a function budget violation. If the function is over budget, they call it a violation and you have to note it in the audit report. The state will send a letter and ask for your plan to make sure this does not happen again. There will be a plan of corrective action that will come before the board. Sometimes there might be accounts payable that people forget, or they miss, or they do not tell the office about it or do not get some of the information before the end of the year to make a budget adjustment. There are things that are paid after the end of the year that can cause a budget overrun also. For the vehicle that was purchased, documents to support the solicitation of bids from two or more people. We just want stronger documentation when that takes place. It is a corrective action for next time. Deficit fund balance. I recognize that you are working on that and we will have to see how that works out.

**Trustee Poulsen made a motion to approve the 2017 Annual Audit, motion seconded by Trustee Kelley; motion carried.**

**Public Comment**

None

**Adjournment**

**Trustee Harr made a motion to adjourn, motion seconded by Trustee Poulsen; motion carried.**

**Meeting adjourned at 12:46 p.m.**

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**Board President**

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**Date**

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**Board Clerk**

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**Date**