

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

Financial Statements and
Supplementary Information

Year Ended June 30, 2016

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

OFFICIALS OF THE DISTRICT

June 30, 2016

BOARD OF DIRECTORS

<u>Name</u>	<u>Term Expires</u>
Rick Mudrow P.O. Box 1833 Estacada, OR 97023	June 30, 2017
John Miller 28273 SE Hwy 224 Eagle Creek, OR 97022	June 30, 2017
Jeromy Adamson, Chair 33626 SE Doyle Road Estacada, OR 97023	June 30, 2017
Benjamin Wheeler P.O. Box 2490 Estacada, OR 97023	June 30, 2019
Ken Riedel 25339 S. Ester Court Estacada, OR 97023	June 30, 2019
Mark Greene 27770 SE Currin Road Estacada, OR 97023	June 30, 2017
Jamie Smith 1205 NE Gardiner Drive Estacada, OR 97023	June 30, 2017

DISTRICT ADMINISTRATION

Marla Stephenson, Superintendent
Donna Cancio, Executive Director - Administrative Services

DISTRICT ADDRESS

255 NE Sixth Avenue
Estacada, Oregon 97023

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Estacada, Oregon

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Estacada, Oregon

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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To the School Board
Clackamas County School District No. 108
Estacada, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Clackamas County School District No. 108, Estacada, Oregon (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2016, and, the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Oregon Public Employees Retirement System Schedules, and the Schedule of Funding Progress for Other Postemployment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary 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 the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, 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 defined in the table of contents, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Reports on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 16, 2016, on our consideration of the District's internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grants, 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 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.

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 16, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Clackamas County School District #108
Estacada, Oregon

Management's Discussion and Analysis
FOR THE YEAR ENDED JUNE 30, 2016

The discussion and analysis of Clackamas County School District #108 (the District) financial performance provides an overall review of the financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's performance as a whole. Readers should also review the information provided in the basic financial statements and notes to enhance their understanding of the District's financial activities.

PRIOR PERIOD RESTATEMENT RELATED TO GASB 68

As stated in the Notes to the Basic Financial Statements Item #12, due to the adoption of GASB Statement No. 68 the District adjusted deferred outflows by \$16,094 and deferred inflows by \$1,363,157, which had a significant effect on the Net Position for June 2015. The implementation of this statement only effect the GASB related reports and not the operational financial position of the District.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the liabilities of the District exceeded its assets at June 30, 2016 by \$2,558,885. As discussed last year, this change was expected as the full impact of GASB Statement 68 was implemented. Additionally, the restatement of Net Position for FY 14/15 from \$1,587,467 to \$208,216 exacerbated this shift. This does not mean the District financial position is deteriorating. However, it does more accurately portray the District's long-term pension liability. For FY 15/16 the District's Net Position includes \$8,022,225 invested in capital assets, net of related debt, which is an increase from last year's figure of \$7,562,390.
- When all of the GASB 68 restatements are included, the District's total net position decreased by \$2,767,101. Again, this shift only reflects the full impact of its long-term pension liability. It has only just recently been fully recognized in the Government wide financial statements.
- In looking at the Statement of Activities for the year ending June 30, 2016, the reader will note a total expenditure of \$31,897,608. This is an increase over last year's amount of \$21,594,865. However, the difference is directly attributed to the Pension Expense adjustments. In FY 14/15, this was a decrease in expenses of \$5,053,815, for FY 15/16, the entry was an additional expense of 4,321,755. Combined, this is a shift of \$9,375,570 in expenses, hence the majority of the increase in overall expenses of \$10,302,743. The expense for FY 15/16 also includes a transfer to the District's Capital Projects Fund of \$1,000,000. Hence, the District's operational expenses are almost the same as they were in FY 14/15.
- The District's governmental funds reported a combined ending fund balance of \$6,705,310, which represents an increase over last year's combined fund balance of \$6,005,969. It is important to note that the General Fund Balance did, purposefully decrease by \$564,873 and the Capital Projects Fund increased by \$1,008,486. Again, this was intentional as the District planned on building up its Capital Project Fund to support upcoming capital expenses.
- The Capital Projects Fund began FY 16/17 with a fund balance of \$1,446,762. The age of our facilities will necessitate that this money be prioritized and replenished on an ongoing basis. Currently the only significant source of revenue for Capital Projects is a transfer from the General Fund. On an ongoing basis, the District should consider funding Capital Projects to support ongoing maintenance needs.
- Although the District did spend down its fund balance in the General Fund by \$564,873, it was an intentional move to bring our salary schedules in line with neighboring districts from which we compete for top tier instructors. It is important to note that even at \$3,634,361 it still represents 14.6% of General Fund expenditures and transfers. This is still a very healthy fund balance.
- Of the \$6,705,310 total ending fund balance, \$6,425,532 is either nonspendable, restricted or assigned, leaving \$279,778 undesignated. Last year the undesignated fund balance was \$750,111.

Clackamas County School District #108 Fiscal Year Ended June 30, 2016

- The major increase in Fund Balance occurred in the Capital Projects Fund. Although impressive, the increase came by way of a transfer from the General Fund and is not a renewable source of revenue unless purposefully built into future budgets.
- The District's total long term debt decreased by \$1,368,531 this year, inclusive of current year obligations. As the District continues to pay down its long term obligations while not incurring new debt, this trend should continue.
- The District had \$31,897,608 in expenses related to government activities, which includes depreciation expenses and pension expense adjustments. Of the \$31,897,608 in expenses, \$706,277 were offset by program-specific charges for services provided within the District, \$2,872,361 were offset by Operating Grants and Contributions, and \$56,060 were offset by Capital Grants and Contributions. The total offsets from program specific revenue and grants were \$3,634,698. This was very consistent to last year's amount of \$3,405,399.

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 consist of three components: 1) government-wide financial statements, 2) notes to the basic financial statements and 3) fund 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 position presents information on all of the assets and liabilities of the District at year-end. Net position is what remains after the liabilities have been paid or otherwise satisfied. 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 net assets of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District's activities are shown in one category.

- **Governmental Activities.** Most of the District's basic functions are shown here, such as regular and special education, support services, enterprise and community services, facilities acquisition and construction and interest on long-term debt.

The government wide financial statements can be found on pages 20 and 21 of this report

Fund Financial Statements. The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate

Clackamas County School District #108
Fiscal Year Ended June 30, 2016

compliance with finance-related legal requirements. All of the funds of the District can be found under governmental funds.

Governmental Funds. 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 spendable resources, as well as on balances of spendable 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 government's near-term financing decisions. Both the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Activities.

The District maintains 4 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Special Revenue Fund, Debt Service Fund, and the Capital Projects Fund. These basic governmental fund financial statements can be found on pages 24 and 26 of this report

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes to the basic financial statements can be found on pages 32 through 53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net position may serve, over time, as a useful indicator of a government's financial position. However, the implementation of GASB Statement No. 68 has had and will continue to have a significant impact on the government wide financial statement rendering the most recent statements of little value as an indicator of the District's operational financial position.

Capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment (net of accumulated depreciation), represent approximately 75% of total assets. This is a slight increase from last year's 72%. The remaining assets consist mainly of cash, cash equivalents, cash with trustee, property taxes and other receivables. This indicates that even though Cash and Cash Equivalents at June 30, 2016 was higher than the \$6,376,244 at June 30, 2015, the overall long term liquidity of the District's assets is lower than last year.

The District's largest liability (96%) is for the repayment of Long Term Debt. This is the same percentage as in FY 14/15 and FY 13/14. Of that Long Term Debt, the majority resides in the District's General Obligation Bond, initially issued in 2001 and the 2005 Pension Bonds (PERS UAL).

Clackamas County School District #108
 Fiscal Year Ended June 30, 2016

**Net Position at Fiscal Year-End
 June 30, 2016 and 2015**

	Governmental Activities		Increase (Decrease)
	June 30, 2016	June 30, 2015 ⁽¹⁾	
Current and other assets	\$ 8,407,185	\$ 10,413,634	\$ (2,006,449)
Capital assets	25,785,739	26,325,149	(539,410)
Total Assets	<u>34,192,924</u>	<u>36,738,783</u>	<u>(2,545,859)</u>
Deferred outflows of resources	<u>1,042,307</u>	<u>1,080,565</u>	<u>(38,258)</u>
Current liabilities	1,324,419	1,234,473	89,946
Long-term debt	<u>34,419,910</u>	<u>30,492,853</u>	<u>3,927,057</u>
Total Liabilities	<u>35,744,329</u>	<u>31,727,326</u>	<u>4,017,003</u>
Deferred inflows of resources	<u>2,049,787</u>	<u>4,504,555</u>	<u>(2,454,768)</u>
Net Position:			
Net investment in capital assets	8,022,225	7,562,390	459,835
Restricted for debt service	2,449,096	1,426,925	1,022,171
Unrestricted	<u>(13,030,206)</u>	<u>(8,781,099)</u>	<u>(4,249,107)</u>
Total Net Position	<u>\$ (2,558,885)</u>	<u>\$ 208,216</u>	<u>\$ (2,767,101)</u>

(1) Restated

Although the Net Position as of June 30, 2016 represents a deficit, it is essentially due to the implementation of GASB Statement No. 68. It will be several years before the trend in Net Position will render any meaningful information in the way of the District's financial position.

The liability for the PERS pension program has always been a part of the District's obligations. It is only over the last several years that it has been a required part of the District's GASB required reports. As the reader will note, the impact upon this statement is profound. Prior to GASB Statement No. 68, the District did maintain a positive Net Position; however, by infusing the PERS pension liability into those statements, the effect is a negative net position. The reader will note that these are unavoidable and will not impact, in and of itself, strategic and operational decision making.

Clackamas County School District #108
 Fiscal Year Ended June 30, 2016

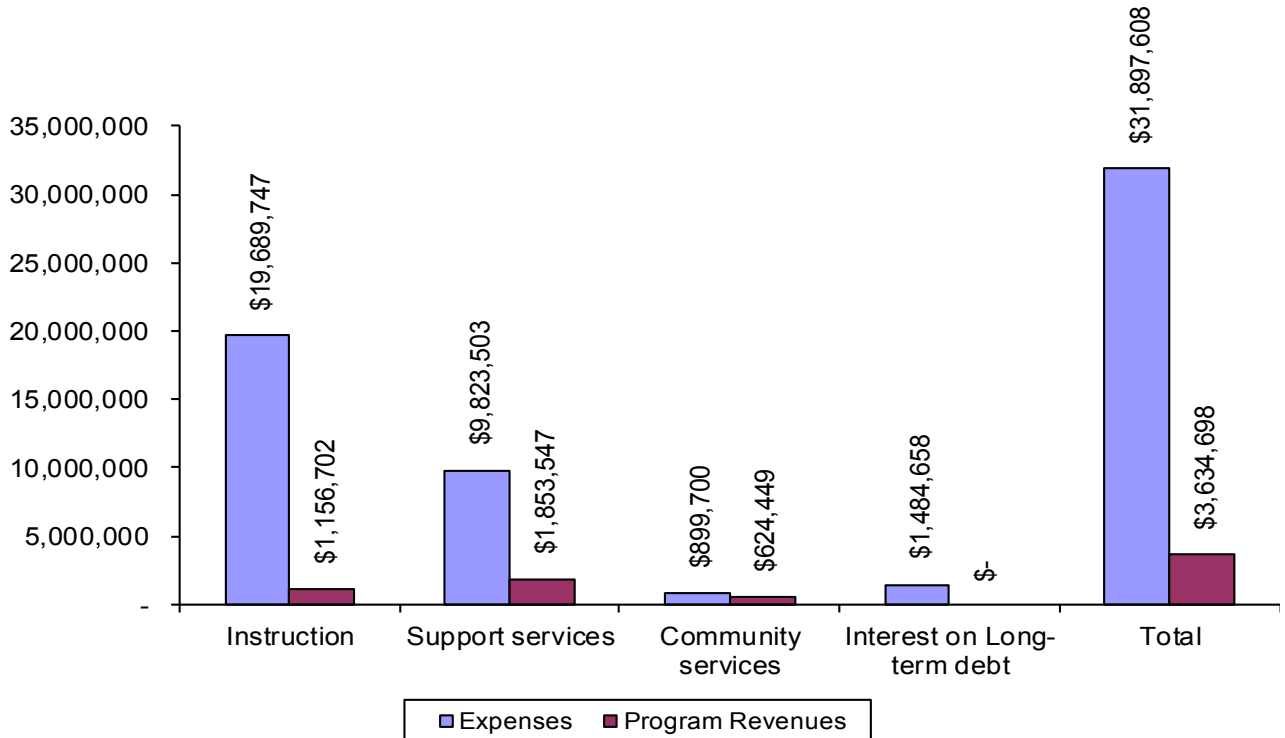
Changes in Net Position			
For the Year Ended June 30, 2016 and 2015			
	Governmental Activities		Increase
	June 30, 2016	June 30, 2015	(Decrease)
Revenues:			
Program Revenues:			
Charges for services	\$ 706,277	\$ 626,325	\$ 79,952
Operating grants and contributions	2,872,361	2,715,423	156,938
Capital grants & contributions	56,060	63,651	(7,591)
General Revenues:			
Property taxes levied for general purpose	5,316,782	4,950,374	366,408
Property taxes levied for debt service	1,997,276	2,443,974	(446,698)
State school fund - general fund	17,299,656	18,202,988	(903,332)
Unrestricted state and local sources	478,939	593,552	(114,613)
Earnings on investments	56,863	37,754	19,109
Miscellaneous	346,293	131,621	214,672
Total Revenues	29,130,507	29,765,662	(635,155)
Expenses:			
Instruction			
Regular programs	8,772,103	5,873,660	2,898,443
Special programs	10,917,644	7,136,128	3,781,516
Support Services			
Student services	1,651,677	1,176,427	475,250
Instructional staff services	637,287	282,017	355,270
General administration	494,615	327,755	166,860
School administration	1,658,415	1,053,936	604,479
Business services	4,333,336	2,976,484	1,356,852
Central activities	1,048,173	629,549	418,624
Enterprises and Community Services			
Food services	853,264	552,361	300,903
Community services	46,436	32,857	13,579
Interest on Long-term debt	1,484,658	1,553,691	(69,033)
Total Expenses	31,897,608	21,594,865	10,302,743
Change in net position	(2,767,101)	8,170,797	(10,937,898)
Net position - beginning	1,587,467	6,322,733	(4,735,266)
Restated per GASB 68 Implementation	(1,379,251)	(12,906,063)	11,526,812
Net position - beginning, restated	208,216	(6,583,330)	6,791,546
Net position - end as restated	\$ (2,558,885)	\$ 1,587,467	\$ (4,146,352)

Clackamas County School District #108
 Fiscal Year Ended June 30, 2016

Governmental activities. The key elements of the change in the District's net position for the year ended June 30, 2016 are as follows (Please note that the Change in Net Position is inclusive of the GASB 65 and GASB 68 Adjustment):

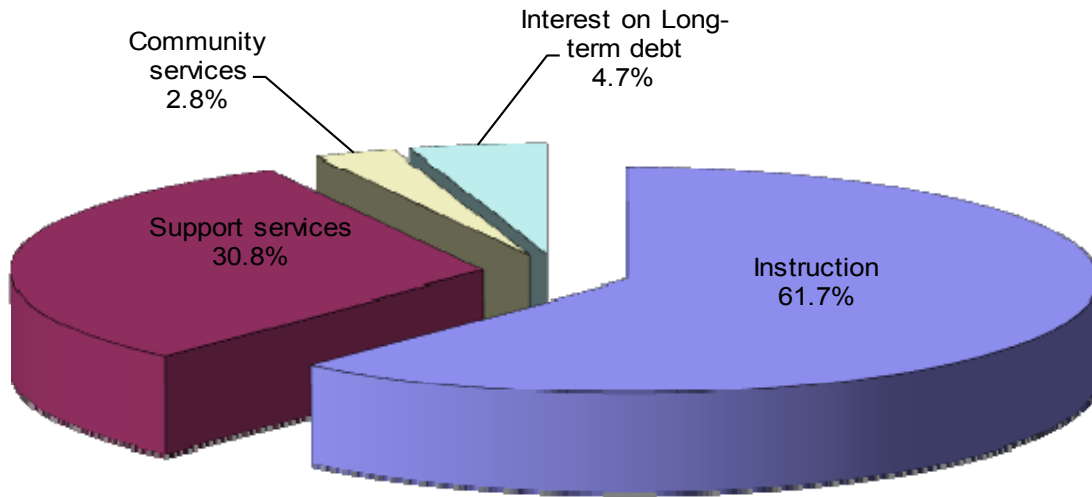
- Total Revenue decreased by \$635,155 and Total Expenses increased by \$10,302,743. The implementation of GASB Statement No. 68 will take a few years to provide meaningful comparative data. **The Statement of Revenue and Expenditures and Changes in Fund Balance For Governmental Funds found on page 26 provides the reader a much better picture of where the District is financially on an operational and strategic level.**

**Expense and Program Revenue - Governmental Activities
 For the Year Ended June 30, 2016**



Overall, the District spent significantly more in FY15/16 than in FY14/15. This is true in every category of expense. However, this increase in expenses is due to the full implementation of GASB Statement No. 68 and the commitment to providing Capital Projects Funding.

**Expenses by Function - Governmental Activities
For the Year Ended June 30, 2016**



It is important to note on the Expenses by Function, that direct instructional services consumes 61.7% of overall expenditures and Support Service 30.8%. Both of these functional areas that are directly related to teaching and learning, increased slightly over last year, whereby interest on long term debt decreased from 7.2% to 4.7%.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District’s governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of a fiscal year.

At June 30, 2016, the District’s governmental funds reported a combined fund balance of \$6,705,310. This represents an increase of \$699,341. This remains to be a bright spot for the District’s financial position and it will enable the District to manage through what may be constricting State School Fund allocations.

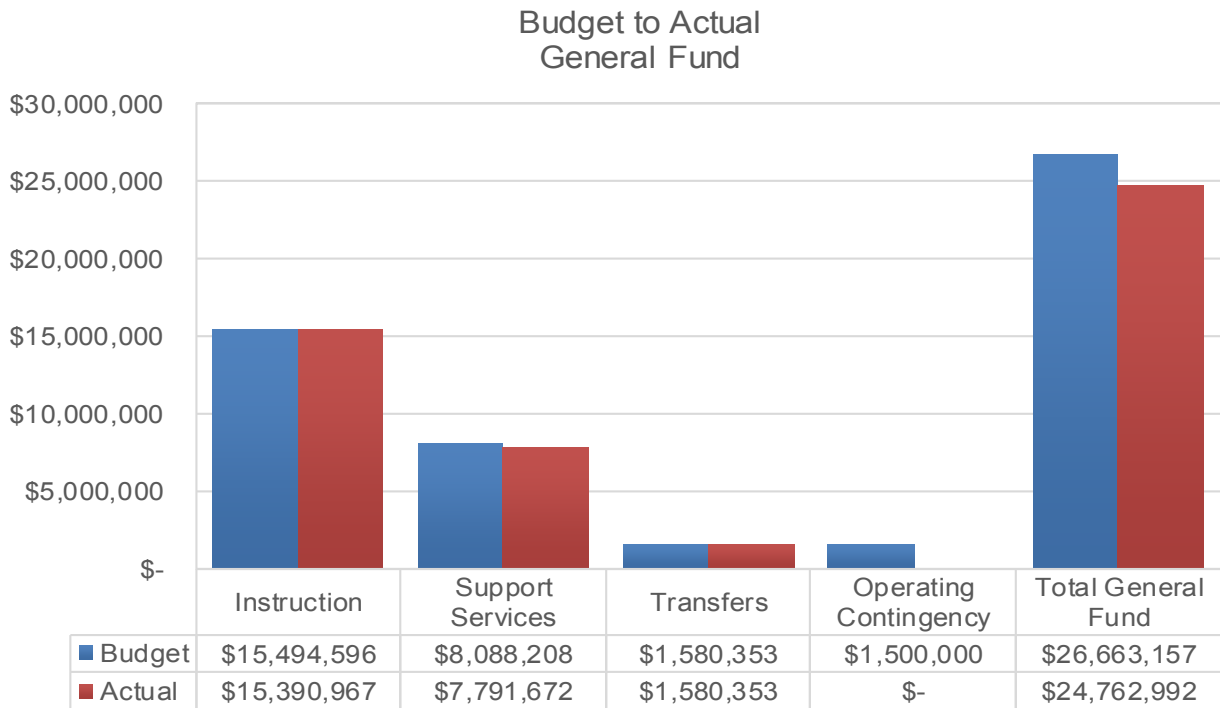
General Fund. The general fund is the chief operating fund of the District. As of June 30, 2016, the General Fund ending fund balance was \$3,634,361. This is a decrease over FY14/15’s fund balance of \$4,199,234. As a major indicator of the fund’s liquidity, it may be useful to compare total fund balance to total fund expenditures. For the General Fund, fund balance represents 14.6% of total General Fund expenditures (including transfers). This percentage decreased by 3.9% from last year. However, the District is still within the recommended 10-15% level. The District should be mindful and purposeful in maintaining a healthy fund balance within recommended levels.

Clackamas County School District #108
 Fiscal Year Ended June 30, 2016

Capital Projects Fund. The Capital Funds Project has a total fund balance at June 30, 2016 of \$1,446,762, which represents a million dollar increase over last year. This is mainly a reflection of a transfer from the General Fund. Although this provides a small safety net, the District has some major deferred maintenance projects to support. As subsequent budgets are developed, how much of its operating funds should be dedicated to Capital Projects will be an important consideration.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, the District did spend 93% of its budgeted General Fund. This is down from 95.1% last year. Spending 93% of the District’s budget indicates that a more conservative approach was taken in both estimating revenues and expenditures. Part of the strategy to maintaining expenses is to maintain a contingency of \$1,500,000. The percentage increases to 98.5% if you adjust for contingency. The District should strive in keeping to this general percentage of expenditures.



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District’s investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. As of June 30, 2016 the District had invested over \$25,785,739 in Capital Assets including land and net of depreciation, as shown in the following table:

Clackamas County School District #108
 Fiscal Year Ended June 30, 2016

Capital Assets (Net of Depreciation)			
June 30, 2016 and 2015			
	Governmental Activities		Increase (Decrease)
	June 30, 2016	June 30, 2015	
Land	\$ 216,256	\$ 216,256	\$ -
Construction in Progress	31,439	-	31,439
Capital Assets Being Depreciated			
Building and improvements	37,593,028	37,664,126	(71,098)
Vehicles/equipment	3,756,207	3,485,875	270,332
Total Assets Being Depreciated	<u>41,349,235</u>	<u>41,150,001</u>	<u>199,234</u>
Less Accumulated Depreciation for			
Buildings and improvements	(12,696,947)	(12,053,324)	(643,623)
Vehicles/equipment	(3,114,244)	(2,987,784)	(126,460)
Total Accumulated Depreciation	<u>(15,811,191)</u>	<u>(15,041,108)</u>	<u>(770,083)</u>
Total Capital Assets Being Depreciated, net	<u>25,538,044</u>	<u>26,108,893</u>	<u>(570,849)</u>
Total Capital Assets, net	<u>\$ 25,785,739</u>	<u>\$ 26,325,149</u>	<u>\$ (539,410)</u>

During the year, the District's investment in capital assets decreased by \$539,410. Last year the decrease was \$392,111. Depreciation continues to outpace any additions to the District's Capital assets. Although the District conducted its Facilities Assessment Master Plan and put a Bond Measure on the November, 2016 ballot, it was not successful leaving the District very limited options to preserving its physical assets.

Additional information regarding the District's capital assets can be found in Note 4 on page 37 of this report.

Long Term Debt. At June 30, 2016, the District had total debt outstanding of \$28,397,084 consisting of General Obligation Bond (refunded and original), PERS UAL bonds, obligations under capital leases, and the QSCB Bond to finance the District Energy Savings Projects.

At June 30, 2016, the District's long term debt decreased by \$1,368,531 exclusive of current obligations.

It is important to note that the above does not include net pension liabilities. When those are included, the overall liability of the District increases to \$34,419,910.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As projected, PERS rates will increase by 4-5% for the next biennium. This will put a significant strain on operating expenses. In addition, although the State's economy remains strong, the State is predicting a significant statewide budget deficit. With the failure of Measure 97 (revenue increase) and the passage of Measure 98 (mandated school programs), the amount available for District operations will see some pressure for FY 17/18. It will be important for the District to take some affirmative steps to address constricted State School Funding. This will be a significant topic of discussion for the upcoming budget development phase.

Clackamas County School District #108
Fiscal Year Ended June 30, 2016

In conclusion, the District has retained its financial health. This will likely help it face any upcoming challenges of increased costs and a lack of funding. How the District faces these challenges along with the pressure to maintain its aging facilities without a major source of additional resources will have a long term impact on the future of the District.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Executive Director of Administrative Services at 255 NE 6th Ave., Estacada, OR 97023.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash, cash equivalents and investments	\$ 6,850,583
Cash with trustee	685
Property taxes and other receivables	1,497,286
Prepays	36,051
Inventory	22,580
Land	216,256
Buildings and equipment, net of accumulated depreciation	<u>25,569,483</u>
TOTAL ASSETS	<u>34,192,924</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Pension	<u>1,042,307</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,042,307</u>
<u>LIABILITIES:</u>	
Accounts payable	292,463
Accrued payroll, taxes and withholdings	994,937
Accrued interest payable	37,019
Long-term debt:	
Proportionate share of net pension liability	5,256,013
Other postemployment benefits	614,895
Net pension obligation	151,918
Due within one year	1,827,816
Due in more than one year	<u>26,569,268</u>
TOTAL LIABILITIES	<u>35,744,329</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Deferred gain on refunding	321,429
Pension	<u>1,728,358</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,049,787</u>
<u>NET POSITION:</u>	
Net investment in capital assets	8,022,225
Restricted	2,449,096
Unrestricted	<u>(13,030,206)</u>
TOTAL NET POSITION	<u>\$ (2,558,885)</u>

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Functions/Programs</u>					
Instruction:					
Regular programs	\$ 8,772,103	\$ 631,835	\$ 118,732	\$ -	\$ (8,021,536)
Special programs	10,917,644	-	406,135	-	(10,511,509)
Support services:					
Student services	1,651,677	-	406,289	-	(1,245,388)
Instructional staff services	637,287	-	250,235	-	(387,052)
General administration	494,615	-	-	-	(494,615)
School administration	1,658,415	-	30,558	-	(1,627,857)
Business services	4,333,336	37,229	910,425	56,060	(3,329,622)
Central activities	1,048,173	-	162,751	-	(885,422)
Enterprise and community services:					
Food services	853,264	34,098	587,236	-	(231,930)
Community services	46,436	3,115	-	-	(43,321)
Interest on long-term debt	1,484,658	-	-	-	(1,484,658)
 Total	 <u>\$ 31,897,608</u>	 <u>\$ 706,277</u>	 <u>\$ 2,872,361</u>	 <u>\$ 56,060</u>	 <u>(28,262,910)</u>
 GENERAL REVENUES:					
					5,316,782
					1,997,276
					17,299,656
					478,939
					56,863
					346,293
					<u>25,495,809</u>
					CHANGE IN NET POSITION
					(2,767,101)
					NET POSITION - beginning, as restated
					<u>208,216</u>
					NET POSITION - ending
					<u>\$ (2,558,885)</u>

See notes to the basic financial statements.

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FUND FINANCIAL STATEMENTS

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
ASSETS					
Cash, cash equivalents and investments	\$ 4,509,576	\$ 515,999	\$ 457,858	\$ 1,367,150	\$ 6,850,583
Cash with trustee	-	-	685	-	685
Property taxes and other receivables	584,161	696,004	130,452	86,669	1,497,286
Prepays	36,051	-	-	-	36,051
Inventory	-	22,580	-	-	22,580
TOTAL ASSETS	\$ 5,129,788	\$ 1,234,583	\$ 588,995	\$ 1,453,819	\$ 8,407,185
LIABILITIES:					
Accounts payable	\$ 204,297	\$ 81,109	\$ -	\$ 7,057	\$ 292,463
Accrued payroll, taxes and withholdings	994,937	-	-	-	994,937
TOTAL LIABILITIES	1,199,234	81,109	-	7,057	1,287,400
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	296,193	-	118,282	-	414,475
TOTAL DEFERRED INFLOWS OF RESOURCES	296,193	-	118,282	-	414,475
FUND BALANCES:					
Nonspendable	36,051	22,580	-	-	58,631
Restricted	-	531,621	470,713	1,446,762	2,449,096
Assigned	3,318,532	599,273	-	-	3,917,805
Unassigned	279,778	-	-	-	279,778
TOTAL FUND BALANCES	3,634,361	1,153,474	470,713	1,446,762	6,705,310
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,129,788	\$ 1,234,583	\$ 588,995	\$ 1,453,819	\$ 8,407,185

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION**

JUNE 30, 2016

TOTAL FUND BALANCES		\$	6,705,310
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Land	\$	216,256	
Buildings and equipment		41,380,674	
Accumulated depreciation		<u>(15,811,191)</u>	25,785,739
A portion of the District's revenues are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported in the governmental funds.			
			414,475
The proportionate share of the net pension liability is not reported as a liability in the governmental funds.			
			(5,256,013)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the governmental funds			
Deferred outflows of resources related to pensions			1,042,307
Deferred inflows of resources related to pensions			(1,728,358)
Deferred inflows of resources related to gain on refunding			(321,429)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expense when due. These liabilities consist of:			
Accrued interest payable			(37,019)
Post employment benefits			(151,918)
Other postemployment benefits			(614,895)
Bonds payable			(28,060,000)
Capital lease obligations			<u>(337,084)</u>
TOTAL NET POSITION		\$	<u><u>(2,558,885)</u></u>

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
REVENUES:					
Local sources:					
Property taxes	\$ 5,294,048	\$ -	\$ 1,992,331	\$ -	\$ 7,286,379
Charges for services	180,353	497,951	-	-	678,304
Earnings on investments	35,123	5,268	6,077	10,395	56,863
Miscellaneous	5,734	303,960	1,022,153	228,101	1,559,948
Intermediate sources	142,117	300,317	-	-	442,434
State sources	18,524,300	177,956	-	-	18,702,256
Federal sources	16,094	1,317,722	-	-	1,333,816
Total Revenues	24,197,769	2,603,174	3,020,561	238,496	30,060,000
EXPENDITURES:					
Current:					
Instruction	15,390,967	1,326,551	-	-	16,717,518
Support services	7,746,148	711,585	-	-	8,457,733
Enterprise and community services	-	773,178	-	-	773,178
Facilities acquisition and construction	-	-	-	163,665	163,665
Capital outlay	45,524	244,648	-	66,345	356,517
Debt service:					
Principal	-	36,303	1,555,000	-	1,591,303
Interest	-	2,555	1,521,312	-	1,523,867
Total Expenditures	23,182,639	3,094,820	3,076,312	230,010	29,583,781
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,015,130	(491,646)	(55,751)	8,486	476,219
OTHER FINANCING SOURCES (USES):					
Transfers in	-	580,353	-	1,000,000	1,580,353
Transfers out	(1,580,353)	-	-	-	(1,580,353)
Proceeds for Capital Leases	350	222,772	-	-	223,122
Total other financing sources (uses)	(1,580,003)	803,125	-	1,000,000	223,122
NET CHANGES IN FUND BALANCE	(564,873)	311,479	(55,751)	1,008,486	699,341
FUND BALANCES, July 1, 2015	4,199,234	841,995	526,464	438,276	6,005,969
FUND BALANCES, June 30, 2016	\$ 3,634,361	\$ 1,153,474	\$ 470,713	\$ 1,446,762	\$ 6,705,310

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2016

NET CHANGES IN FUND BALANCES			\$	699,341
Amounts reported for governmental activities in the Statement of Activities are different because:				
Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.				
Capital asset additions		\$	356,517	
Loss on disposal			(21,083)	
Depreciation			<u>(874,844)</u>	(539,410)
Repayment of principal on general obligation bonds payable is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.				1,555,000
Accrual of proportionate share of the net pension liability is not reported as an expenditure in the governmental funds.				(4,321,755)
Amortization of deferred gain on refunding.				35,714
In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an expenditure when due.				2,374
Payments on capital leases and new capital leases are recorded as a change in liabilities on the Statement of Net Position.				(186,469)
Net pension obligations are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities they are recognized as an expenditure when earned.				(2,236)
Other postemployment benefits are reported in the Statement of Activities but not reported as an expenditure in the governmental funds.				(37,339)
Revenues that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.				<u>27,679</u>
CHANGE IN NET POSITION			\$	<u><u>(2,767,101)</u></u>

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

GENERAL FUND

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

YEAR ENDED JUNE 30, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources:				
Property taxes	\$ 4,775,000	\$ 4,775,000	\$ 5,294,048	\$ 519,048
Charges for services	83,700	83,700	180,353	96,653
Earnings on investments	25,000	25,000	35,123	10,123
Miscellaneous	8,000	8,000	5,734	(2,266)
Intermediate sources	116,353	116,353	142,117	25,764
State sources	18,245,667	18,245,667	18,524,300	278,633
Federal sources	-	-	16,094	16,094
Total Revenues	23,253,720	23,253,720	24,197,769	944,049
EXPENDITURES:				
Instruction *	15,494,596	15,494,596	15,390,967	103,629
Support services *	8,088,208	8,088,208	7,791,672	296,536
Contingency *	1,500,000	1,500,000	-	1,500,000
Total Expenditures	25,082,804	25,082,804	23,182,639	1,900,165
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,829,084)	(1,829,084)	1,015,130	2,844,214
OTHER FINANCING SOURCES (USES):				
Transfers out *	(1,580,353)	(1,580,353)	(1,580,353)	-
Sale or Loss of Fixed Assets	-	-	350	350
Total Other Financing Sources (Uses)	(1,580,353)	(1,580,353)	(1,580,003)	350
NET CHANGE IN FUND BALANCE	(3,409,437)	(3,409,437)	(564,873)	2,844,564
FUND BALANCE, July 1, 2015	3,409,437	3,409,437	4,199,234	789,797
FUND BALANCE, June 30, 2016	\$ -	\$ -	\$ 3,634,361	\$ 3,634,361

* Legally adopted appropriation level.

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SPECIAL REVENUE FUND

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

YEAR ENDED JUNE 30, 2016

	Budget		Actuals	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources:				
Charges for services	\$ 707,250	\$ 707,250	\$ 497,951	\$ (209,299)
Earnings on investments	4,700	4,700	5,268	568
Other	250,000	250,000	303,960	53,960
Intermediate sources	418,419	418,419	300,317	(118,102)
State sources	311,976	311,976	177,956	(134,020)
Federal sources	1,727,791	1,727,791	1,317,722	(410,069)
Total Revenues	3,420,136	3,420,136	2,603,174	(816,962)
EXPENDITURES:				
Instruction *	2,335,686	2,335,686	1,326,551	1,009,135
Support services *	1,697,415	1,697,415	974,336	723,079
Enterprise and community services *	856,188	856,188	793,933	62,255
Contingency *	60,000	60,000	-	60,000
Total Expenditures	4,949,289	4,949,289	3,094,820	1,854,469
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,529,153)	(1,529,153)	(491,646)	1,037,507
OTHER FINANCING SOURCES (USES):				
Transfers in	580,353	580,353	580,353	-
Proceeds from obligations under capital lease	220,000	220,000	222,772	2,772
Total Other Financing Sources (Uses)	800,353	800,353	803,125	2,772
NET CHANGE IN FUND BALANCE	(728,800)	(728,800)	311,479	1,040,279
FUND BALANCE, July 1, 2015	728,800	728,800	841,995	113,195
FUND BALANCE, June 30, 2016	\$ -	\$ -	\$ 1,153,474	\$ 1,153,474

* Legally adopted appropriation level.

See notes to the basic financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clackamas County School District No. 108 (the District) is a municipal corporation governed by an elected seven-member Board of Directors. As required by accounting principles generally accepted in the United States of America, all activities of the District have been included in these financial statements.

There are various governmental entities and special service districts that provide services within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units nor included in these financial statements.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the governmental financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed through property taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with an activity and, therefore, are clearly identifiable to that activity. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities and eliminations have been made to minimize the double counting of internal activities. Program revenues include: (1) charges to students or others for tuition, fees, rentals, material, supplies or services provided, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

Net position is reported as restricted when constraints placed on net position use are either externally restricted, imposed by creditors (such as through grantors, contributors, or laws) or through constitutional provisions or enabling resolutions.

Fund Financial Statements

The fund financial statements provide information about the District's funds including those of a fiduciary nature. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

General Fund - This fund accounts for the financial operations of the District not accounted for in any other fund. Principal sources of revenue are state sources, property taxes and earnings on investments. Expenditures are made for instruction and support services.

Special Revenue Fund - This fund accounts for revenues and expenditures for specific purposes and the District's food services program. Principal revenue sources are federal and state grants.

Debt Service Fund - This Fund provides for the payment of principal and interest on general obligation bonded debt. Principal revenue sources are property taxes, District payroll deductions, budgeted transfers and energy savings.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Fund - This Fund accounts for activities related to the acquisition, construction, equipping and furnishing of facilities. Principal revenue sources are bond proceeds, budgeted transfers and interest earnings.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash, Cash Equivalents and Investments

The District considers investments with maturities of three months or less when purchased to be cash equivalents.

Investments in the State of Oregon Treasurer's Local Government Investment Pool (LGIP) are stated at cost which approximates fair value. Fair value in the LGIP is the same as the value of its pool shares. Other investments with maturities greater than three months at the time of purchase are stated at cost which approximates fair value.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short Term Fund (OSTF), which was established by the State Treasurer. OSTF is not subject to SEC regulation. OSF is subject to requirements established in Oregon Revised Statutes, investment policies adopted by the Oregon Investment Council, and portfolio guidelines established by the Oregon Short Term Fund Board. The Governor appoints the members of the Oregon Investment Council and the Oregon Short Term Fund Board. The OSTF issues a separate independent financial statement which can be obtained at The Office of the State Treasurer, 350 Winter Street NE, Suite 100, Salem, Oregon. The credit quality rating of this pool is unrated.

Cash with Trustee

Cash with trustee represents amounts for future debt service payment on outstanding bonded indebtedness.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes Receivable

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

Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

Accounts and Other Receivables

Accounts and other receivables are comprised primarily of State school support and claims for reimbursement of costs under various federal and state grants.

Grants

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant funds received prior to the occurrence of qualifying expenditures are recorded as deferred revenue.

Inventory

Inventory is valued at cost, using the first-in, first-out (FIFO) method. Donated commodities are valued at their estimated fair market value. Inventory is charged as an expenditure when used.

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of three years. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 to 50 years
Vehicles and equipment	6 to 20 years

Capital Leases

In the government-wide financial statements capital leases are reported as liabilities in the Statement of Net Position.

In the fund financial statements, at the inception of a capital lease an expenditure and other financing source are recognized in an amount equal to the net present value of future minimum lease payments. Subsequent lease payments are recorded as expenditures on the due date.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District reports deferred inflows of resources for pension related amounts and deferred gain on refunding in the statement of activities. The District also reports deferred inflows of resources for unavailable revenue from property taxes in the General Fund on the governmental funds balance sheet.

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District Board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District's Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Budget

A budget is prepared and legally adopted for each fund on the modified accrual basis of accounting. The budgetary basis of accounting is the same basis as accounting principles generally accepted in the United States of America except capital outlay expenditures are budgeted by function and capital leases at their inception are not budgeted.

The District begins its budgeting process by appointing budget committee members in early fall of each year. Budget recommendations are developed through early spring and the Budget Committee approves the budget in late spring. Public notices of the budget hearing are generally published in June and a public hearing is held in late June. The budget is adopted, appropriations are made, and the tax levy is declared no later than June 30.

Expenditures are appropriated at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. Expenditures generally cannot legally exceed these function level appropriations. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations 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 of Directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board of Directors. The District had one supplemental budget this year. Appropriations lapse at year-end.

Use of Estimates

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District maintains a common cash, cash equivalents and investment pool for all District funds. At June 30, 2016, the District's cash, cash equivalents and investments is comprised of the following:

Cash on hand	\$ 5,667
Deposits with financial institutions:	
Demand deposits, non-interest bearing	685,871
State of Oregon Treasurer's	
Local Government Investment Pool	<u>6,159,045</u>
	<u>\$ 6,850,583</u>

Deposits with Financial Institutions

Custodial credit risk – Deposits – Custodial credit risk for deposits is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Insurance and collateral requirements for the deposits are established by federal banking regulations and Oregon law. State statutes require that the District's deposits be covered by the Federal Deposit Insurance Corporation (FDIC) or by a multiple financial institution collateral pool under ORS 295.015 which is administered by the State of Oregon Office of the Treasury.

Deposits with financial institutions include primarily bank demand and money market deposits. The balances in these accounts according to the District's records total \$685,871 on June 30, 2016. The bank statement records reflect a balance of \$837,462 at year end. Of this amount, \$417,463 is covered by the FDIC's general deposit insurance rules. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of State Treasurer. As a result the District has no exposure to custodial credit risk for deposits with financial institutions.

Investments

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool.

Interest Rate Risk – Investments – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments – The Oregon State Treasurer's Local Government Investment Pool (LGIP) is subject to regulatory oversight by the Oregon Secretary of State and is not required to be categorized by risk. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares. The Oregon State Treasurer maintains the Oregon Short-Term Fund, of which the LGIP is a part. It is not registered with the U.S. Securities and Exchange Commission. The Fund currently has no credit rating as assigned by the credit rating agencies. On June 30, 2016 the fund's composite weighted rating was equivalent to S&P's AA ratings. The State's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB) and approved by the Oregon Investment Council (ORS 294.805 to 294.895).

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

2. CASH AND CASH EQUIVALENTS (Continued)

As of June 30, 2016 and for the year then ended, the District was in compliance with the State of Oregon statutes regarding investments as discussed under Note 1.

3. RECEIVABLES

Receivables at June 30, 2016 are comprised of the following:

Property Taxes	\$	432,969
Undistributed Tax Collections		25,326
Grants		556,751
Other		482,240
		<u>1,497,286</u>
	\$	<u>1,497,286</u>

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 216,256	\$ -	\$ -	\$ 216,256
Construction in Progress	-	31,439		31,439
Total capital assets not being depreciated	<u>216,256</u>	<u>31,439</u>	<u>-</u>	<u>247,695</u>
Capital Assets being depreciated:				
Buildings and improvements	37,664,126	54,746	(125,844)	37,593,028
Vehicles and equipment	3,485,875	270,332	-	3,756,207
Total capital assets being depreciated	<u>41,150,001</u>	<u>325,078</u>	<u>(125,844)</u>	<u>41,349,235</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,053,324)	(748,384)	104,761	(12,696,947)
Vehicles and equipment	(2,987,784)	(126,460)	-	(3,114,244)
Total accumulated depreciation	<u>(15,041,108)</u>	<u>(874,844)</u>	<u>104,761</u>	<u>(15,811,191)</u>
Total capital assets being depreciated, net	<u>26,108,893</u>	<u>(549,766)</u>	<u>(21,083)</u>	<u>25,538,044</u>
Total capital assets, net	<u>\$ 26,325,149</u>	<u>\$ (518,327)</u>	<u>\$ (21,083)</u>	<u>\$ 25,785,739</u>

Equipment with a cost of approximately \$412,972 is financed under capital leases.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

4. CAPITAL ASSETS (Continued)

Depreciation expense for the year was charged to the following programs:

Instruction:		
Regular programs		\$ 249,142
Special programs		312,394
Support Services:		
Student services		47,457
Instructional staff services		18,322
General administration		14,223
School administration		47,656
Business services		123,987
Central activities		30,134
Enterprise and community services:		
Food services		24,506
Community services		1,335
Facilities acquisition		5,688
Total		<u>\$ 874,844</u>

5. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2016 are as follows:

	<u>Outstanding</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Payments and</u> <u>Redemptions</u>	<u>Outstanding</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion</u>
Obligations under capital leases	\$ 150,615	\$ 222,772	\$ 36,303	\$ 337,084	\$ 82,816
2005 general obligation refunding bonds	17,495,000	-	1,085,000	16,410,000	1,205,000
2005 pension bonds	11,360,000	-	405,000	10,955,000	475,000
2011 QSCB bonds	760,000	-	65,000	695,000	65,000
Total bonds	<u>29,765,615</u>	<u>222,772</u>	<u>1,591,303</u>	<u>28,397,084</u>	<u>\$ 1,827,816</u>
Net pension obligation	149,682	2,236	-	151,918	
Net OPEB obligation	577,556	37,339	-	614,895	
Net pension liability	-	5,256,013	-	5,256,013	
	<u>\$ 30,492,853</u>	<u>\$ 5,518,360</u>	<u>\$ 1,591,303</u>	<u>\$ 34,419,910</u>	

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plans

Most of the District employees participate in Oregon Public Employees Retirement System (PERS). For the purpose of measuring the pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and addition to/deductions from PER'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 benefit terms. Investments are reported at fair value. PERS requires plan contributions on a current basis. Contributions are recorded as expenditures in individual funds as funded. The District also offers its employees a tax deferred annuity plan established pursuant to Section 403(b) of the Internal Revenue Code.

Postemployment Benefits

Certificated employees and eligible administrative supervisors at age fifty-eight with 15 years of regular service qualify for early retirement benefits which are funded and charged to expenditures on a pay-as-you-go basis.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Unused vacation must be used by August 15 of each year. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

All unused vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements and the amount is material. These benefits are generally paid out of the District's General Fund.

Long-term Debt

In the government-wide financial statements, long-term debt is reported as liabilities in the Statement of Net Position. Gains or losses on refunding are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums or discounts received on debt issuance are not material to the basic financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources for pension related amounts in the statement of net position.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

5. LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity are as follows:

Year Ended June 30,	Obligations Under Capital Leases	General Obligation Bonds	Pension Bonds	QSCB Bonds	Total	Bond Interest
2017	82,816	1,205,000	475,000	65,000	1,827,816	1,442,761
2018	80,581	1,335,000	550,000	65,000	2,030,581	1,354,043
2019	82,689	1,475,000	625,000	65,000	2,247,689	1,254,999
2020	44,878	1,620,000	710,000	65,000	2,439,878	1,145,104
2021	46,120	1,775,000	800,000	65,000	2,686,120	1,023,629
2022-2026		9,000,000	5,635,000	325,000	14,960,000	2,722,000
2027-2028		-	2,160,000	45,000	2,205,000	136,239
	<u>\$ 337,084</u>	<u>\$ 16,410,000</u>	<u>\$ 10,955,000</u>	<u>\$ 695,000</u>	<u>\$ 28,397,084</u>	<u>\$ 9,078,776</u>

The District issued general obligation bonds for the improvement and construction of education facilities, limited tax pension bonds for the payment of a portion of its estimated PERS unfunded actuarial liability, and QSCB bonds for construction of a Bio-mass boiler and upgrades to the District's digital control systems. All bonds are paid by the Debt Service Fund and obligations under capital lease by the Special Revenue Fund. The 2005 general obligation bonds were issued in the amount of \$21,300,000 with variable interest from 3.000% to 5.500%. The 2005 pension bonds were issued in the amount of \$12,695,000 with variable interest from 4.052% to 4.759%. The 2011 QSCB bonds were issued in the amount of \$1,100,000 with interest of 5.050%

Obligations under capital leases consist of the lease of four vehicles with an original cost of \$412,972 with average interest rates of 2.610%.

6. INTERFUND TRANSFERS

The General Fund transferred \$580,353 of resources to the Special Revenue Fund for matching as required by grant awards and \$1,000,000 to the Capital Projects Fund for future capital projects.

7. RETIREMENT PLANS

Public Employees Retirement System (PERS)

Plan Description - The District participates in the Oregon Public Employees Retirement System (OPERS), a single cost-sharing multiple-employer defined benefit plan. OPERS provides retirement, disability, and death benefits to plan members and their beneficiaries.

All benefits of OPERS are established by the Oregon Legislature pursuant to Oregon Revised Statutes (ORS) Chapters 238 and 238A. The plan complies with Internal Revenue Service rules prescribed in 401(a). The Oregon Legislature has delegated the authority to the Public Employees Retirement Board (PERB) to administer and manage the system. OPERS issues a publicly available financial report that can be obtained at:

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

7. RETIREMENT PLANS (Continued)

OPERS prepares their financial statements in accordance with GASB statements and generally accepted accounting principles. The accrual basis of accounting is used for all funds. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits are recognized in the month they are earned and withdrawals are recognized in the month they are due and payable. Investments are recognized at fair value, the amount at which financial instruments could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPERS is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

The 1995 Legislature created a second tier of benefits for those who became OPERS Program members after 1995 but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

Beginning January 1, 2004, all employees who were active members of OPERS became members of the OPSRP IAP Program. OPERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. OPERS plan members retain their existing OPERS accounts; however, member contributions after January 1, 2004 are deposited in the member's IAP, not into the member's OPERS account.

1. TIER ONE/TIER TWO RETIREMENT BENEFIT (CHAPTER 238)

Pension Benefits - The PERS retirement allowance is payable monthly for life. It may be selected from thirteen 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 (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60.

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

Death Benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

7. RETIREMENT PLANS (Continued)

Disability Benefits - A member with ten 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 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 when determining the monthly benefit.

Benefit Changes after Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP PENSION PROGRAM (CHAPTER 238A)

Pension Benefits - The OPSRP Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. For general service employees benefits are calculated with the following formula: 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 OPSRP 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.

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

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

Benefit Changes after Retirement - Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. CONTRIBUTIONS

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

7. RETIREMENT PLANS (Continued)

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates are based on a percentage of payroll, which first became effective July 1, 2015. The District made lump sum payments to establish side accounts which reduces the District rates below the standard School District Pool rates. The District's contractually required contribution rate was 9.26% of eligible Tier 1/Tier 2 members and 4.93% of eligible payroll for OPSRP members. Employer contributions for the year ended June 30, 2016 were \$746,931, excluding amounts to fund employer specific liabilities. \$957,522 was charged for the year ended June 30, 2016 as PERS benefits expenditures to be used for bond payments as they become due. In addition approximately, \$539,619 in employee contributions were paid by employees for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a net pension liability of \$5,256,013 for its proportionate share of the net pension liability. The net pension liability 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 December 31, 2013. The District's proportion of the net pension liability was based on the District's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers, actuarially determined. At June 30, 2015 the District's proportion was .09154487%.

For the year ended June 30, 2016, the District recognized a pension expense of \$4,321,755. At June 30, 2016, the District reported deferred outflows and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 283,431	\$ -
Net difference between projected and actual earnings on investments	-	1,101,780
Changes in proportionate share	-	568,638
Differences between employer contributions and proportionate share of contributions	57,947	57,940
Contributions subsequent to the measurement date	700,929	-
Net deferred outflow (inflow) of resources	<u>\$ 1,042,307</u>	<u>\$ 1,728,358</u>

District contributions subsequent to the measurement date of \$700,929 reported as deferred outflows of resources related to pensions will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported by the District as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in subsequent years as follows:

<u>Amortization Period Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 778,515	\$ 671,026
2018	77,586	671,026
2019	77,586	671,026
2020	77,586	(336,414)
2021	31,034	51,694
	<u>\$ 1,042,307</u>	<u>\$ 1,728,358</u>

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

7. RETIREMENT PLANS (Continued)

4. ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Valuations – The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method.

For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an 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 Assumptions - The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Long-Term Expected Rate of Return	7.75 percent
Discount Rate	7.75 percent
Projected salary increases	3.75 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
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, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

7. RETIREMENT PLANS (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 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.

Assumed Asset Allocation

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

Long-term Expected Rate of Return - To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

7. RETIREMENT PLANS (Continued)

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate-Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equity	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	7.71%	6.07%
Assumed Inflation - Mean		2.75%

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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability (asset)	\$ 12,685,193	\$ 5,256,013	\$ (1,004,833)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report. The effect of OPERS on the District's net position has been determined on the same basis used by OPERS.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

7. RETIREMENT PLANS (Continued)

Changes in Plan Provisions Effecting the Roll Forward - 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 7.75%, which will be effective January 1, 2016.

Early Retirement Plan

The District currently operates a multi-component postemployment program for its Licensed, Administrative, Supervisory and Confidential Staff. The following language describes this plan.

- A. RETIREMENT STIPEND – This stipend will be phased out for teachers and administrative MOE group with fewer than 10 years employment with the District as of July 1, 2006.
1. Teachers, including the Superintendent and Business Manager, who have completed at least fifteen (15) years with the District and qualify for retirement benefits from the Public Employees Retirement System (PERS) shall qualify for a District retirement stipend.
 2. For employees who meet the qualification criteria and wish to retire, the District will pay a monthly stipend of \$425 per month for a maximum of four (4) years.
 3. Payment shall be terminated if any of the following occur:
 - a. Death of the employee;
 - b. Employment with a PERS entity which voids or reduces the individual's PERS retirement benefits;
 - c. Qualification for social security benefits, even though the individual may not apply for benefits.
 4. Employees exercising this option must give notice in writing to the Personnel Office at least sixty (60) calendar days prior to the retirement date.
 5. Employees electing to take part in this retirement program may continue group medical and dental insurance coverage at their own expense subject to the approval of the insurance carrier.
 6. Any teacher on this program who files for unemployment benefits shall forfeit any and all benefits.
- B. INCENTIVE BASED STIPEND
1. Employees who have been employed with the District a minimum of ten years and have accrued a minimum of 720 hours of sick leave in the District may qualify for this stipend. Only sick leave hours earned in the District may be used to determine benefit levels and qualification.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

7. RETIREMENT PLANS (Continued)

2. Employees who are at least fifty-two (52) years old and wish to retire or resign, may qualify for the following stipend:

720sick leave hours = \$500.00 for a maximum of 48 months
900sick leave hours = \$600.00 for a maximum of 48 months
1,200 sick leave hours = \$750.00 for a maximum of 48 months

3. Employees who qualify for both the Retirement Stipend and the Incentive Based Stipend may only select one from which to participate. Employees who elect to use the PERS formula that includes the transfer of accrued sick leave, will forfeit any hours transferred for PERS calculations.
4. Payment shall be terminated upon death of the employee.
5. It is the responsibility of the employee to notify the District no less than sixty (60) calendar days prior to their intent to receive the Incentive Based Stipend.
6. Employees electing to take part in this Stipend may continue group medical and dental insurance coverage at their own expense subject to the approval of the insurance carrier.
7. Employees who file for unemployment benefits shall forfeit any and all benefits.

Contributions and Funding Policy - The benefits from this program are fully paid in accordance with the plan by the District and, consequently, no contributions by employees are required. In accordance with the terms of the plan, benefit payments are recognized when due and payable in governmental funds and on an actuarial basis in the government-wide financial statements. There are no administrative costs attributable to the plan.

Annual Pension Cost and Net Pension Obligation -The District's annual pension cost and actuarial net pension obligation for the year ended June 30, 2016, 2015, and 2014 are summarized as follows:

	Year Ended June 30,		
	2016	2015	2014
Annual required contribution	\$ 131,394	\$ 128,818	\$ 128,320
Interest on net pension obligation	5,613	6,039	4,548
Adjustments	(19,852)	(21,359)	(16,087)
Annual pension cost	117,155	113,498	116,781
Contributions made	(114,919)	(124,860)	(77,032)
Increase in net pension obligation	2,236	(11,362)	39,749
Net pension obligation - beginning of year	149,682	161,044	121,295
Net pension obligation - end of year	\$ 151,918	\$ 149,682	\$ 161,044

The annual required contribution (ARC) for the year ended June 30, 2016 was determined as part of a July 1, 2014 actuarial valuation using the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions included: (a) a rate of return on investment of present and future assets of 3.75% compounded annually; (b) 2% in benefits payable from this program; and (c) no postretirement benefit increases.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

7. RETIREMENT PLANS (Continued)

The net pension obligation is amortized as a level percentage of payroll over eight years. The District does not issue a stakeholder report for their plan.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Postemployment Health Insurance Subsidy

Plan Description – The District operates a single-employer defined benefit retiree benefit plan that provides postemployment health, dental, vision and life insurance benefits to eligible employees and their spouses. Plan benefits and eligibility for members are established through collective bargaining agreements.

The District's post-retirement healthcare plan was established in accordance with ORS 243.33, which stipulates that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees.

The difference between retiree claims costs, which because of the effect of age are generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution.

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

Annual OPEB Cost and Net OPEB Obligation – The District's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the guidelines of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the District's annual OPEB obligation at the end of the years ended June 30, 2016, 2015, and 2014.

	Year Ended June 30,		
	2016	2015	2014
Annual required contribution	\$ 85,937	\$ 84,252	\$ 110,346
Interest on net OPEB obligation	21,658	20,038	17,278
Adjustments to annual required contribution	(24,370)	(22,546)	(19,441)
Annual OPEB cost	83,225	81,744	108,183
Contributions made	(45,886)	(38,533)	(34,582)
Increase in net OPEB obligation	37,339	43,211	73,601
Net OPEB obligation - beginning of year	577,556	534,345	460,744
Net OPEB obligation - end of year	\$ 614,895	\$ 577,556	\$ 534,345

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The District's annual OPEB costs, the percentages of annual OPEB costs contributed to the plan, and the net OPEB obligations are as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	108,183	34,582	32.0%	534,345
2015	81,744	38,533	47.1%	577,556
2016	83,225	45,886	55.1%	614,895

Funding Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date, for the period ending July 1, 2014 through June 30, 2016; the District's actuarial accrued liability (AAL) for benefits was \$755,935, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$755,935. The schedule of funding progress, presented as required supplementary information following the Notes to Basic Financial Statements, presents multi-year trend information as to whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include types of benefits provided at the time of each valuation and the historical pattern sharing of benefits costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities.

The projected unit credit actuarial cost method was used to determine contribution levels for the early retirement plan. Contribution levels are comprised of two components: normal cost and amortization payments. Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

The present value of benefits accrued as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of the plan assets is called the unfunded accrued liability. The unfunded accrued liability is being amortized as a level percentage of payroll over an open period of six years (a closed period of two years for licensed participants) for explicit medical benefits, and over an open period of 30 years for implicit medical benefits.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an inflation rate of 2.5%, discount rate of 4.0% and payroll growth rate of 3.0%. They also assume medical and prescription drug premium costs would increase at 7% for the current year, grading down to an annual rate of 5.6% after ten years. The demographic assumptions, such as mortality rates, disability incidence rates and retirement rates are the same as those used for Oregon PERS benefits.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Retirement Health Insurance Account

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

Funding Policy -Because RHIA was created by enabling legislation (ORS 238.420) contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating school districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes approximately 0.59% of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2016, 2015 and 2014 were approximately \$44,828, \$47,961, and \$51,540 respectively, which equaled the required contributions each year.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District does not engage in risk financing activities where the risk is retained (self-insurance), except for insurance deductibles. For the past three years insurance coverage was sufficient to cover all losses.

10. COMMITMENTS AND CONTINGENCIES

The District, in the regular course of business, is named as a defendant in various lawsuits. The likely outcome of these lawsuits is not presently determinable. It is the opinion of management that the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the District.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

10. COMMITMENTS AND CONTINGENCIES (Continued)

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the District. District management expects such amounts, if any, to be immaterial.

The District is dependent on the State of Oregon for a substantial portion of its operating funds. Due to funding uncertainties at the State level, future funding for school districts may be reduced. The ultimate effect of this possible reduction in funding on the District's future operations is not yet determinable.

11. FUND BALANCES

Details of fund balance classifications displayed in the aggregate are as follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	June 30, 2016
Nonspendable:					
Inventory	\$ -	\$ 22,580	\$ -	\$ -	\$ 22,580
Prepaid items	36,051	-	-	-	36,051
Restricted for:					
Capital projects	-	-	-	1,446,762	1,446,762
College Scholarships	-	159,602	-	-	159,602
Debt Service	-	-	470,713	-	470,713
Federal, State and private grants	-	10,293	-	-	10,293
Food Service	-	9,293	-	-	9,293
High School Building	-	50,005	-	-	50,005
High School Inheritance	-	7,539	-	-	7,539
Student Activities	-	226,951	-	-	226,951
Technology	-	67,938	-	-	67,938
Assigned to:					
Appropriated ending fund balance	3,318,532	-	-	-	3,318,532
Community Schools	-	41,844	-	-	41,844
Curriculum & Instruction	-	375,172	-	-	375,172
Estacada Alternative School	-	35,209	-	-	35,209
High School Extra Curricular	-	29,395	-	-	29,395
Insurance reserve	-	48,585	-	-	48,585
Transportation Bus Replacement	-	69,068	-	-	69,068
Unassigned	<u>279,778</u>				<u>279,778</u>
	<u>\$ 3,634,361</u>	<u>\$ 1,153,474</u>	<u>\$ 470,713</u>	<u>\$ 1,446,762</u>	<u>\$ 6,705,310</u>

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2016

12. PRIOR PERIOD RESTATEMENT

During the year, the District adjusted deferred outflows by \$16,094 and deferred inflows by \$1,363,157. This restatement had the following effect on the net position of the District:

	<u>Net Position</u>
Net Position, June 30, 2015, as previously reported	\$ 1,587,467
Deferred outflows - amortization of contributions	(16,094)
Deferred inflows - differenced in expected investment earnings	<u>(1,363,157)</u>
Net Position, June 30, 2015, as restated	<u>\$ 208,216</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

REQUIRED SUPPLEMENTAL INFORMATION

**SCHEDULE OF FUNDING PROGRESS FOR
OTHER POSTEMPLOYMENT BENEFITS**

YEAR ENDED JUNE 30, 2016

STIPEND BENEFIT

<u>Valuation Date</u>	<u>Actuarial Values of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2008	\$ -	\$ 998,760	\$ 998,760	0.0%	11,138,509	9.0%
7/1/2010	\$ -	\$ 1,061,515	\$ 1,061,515	0.0%	11,490,851	9.2%
7/1/2012	\$ -	\$ 879,978	\$ 879,978	0.0%	10,281,123	8.6%
7/1/2014	\$ -	\$ 740,358	\$ 740,358	0.0%	9,694,451	7.6%

IMPLICIT MEDICAL BENEFIT

<u>Valuation Date</u>	<u>Actuarial Values of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2008	\$ -	\$ 746,575	\$ 746,575	0.0%	11,138,509	6.7%
7/1/2010	\$ -	\$ 830,061	\$ 830,061	0.0%	11,490,851	7.2%
7/1/2012	\$ -	\$ 652,348	\$ 652,348	0.0%	10,281,123	6.3%
7/1/2014	\$ -	\$ 755,935	\$ 755,935	0.0%	9,694,451	7.8%

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

REQUIRED SUPPLEMENTAL INFORMATION

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

YEAR ENDED JUNE 30, 2016

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

<u>Fiscal Year Ended</u>	<u>(a) District's Proportion of the Net Pension Liability (NPL)</u>	<u>(b) District's Proportionate Share of the Net Pension Liability (NPL)</u>	<u>(c) District's Covered Payroll</u>	<u>(b/c) NPL as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
6/30/2014	0.12466454%	\$ 6,361,814	\$ 10,281,123	61.88%	91.97%
6/30/2015	0.12466454%	\$ (2,825,789)	\$ 9,510,676	-29.71%	103.60%
6/30/2016	0.09154487%	\$ 5,256,013	\$ 9,694,451	54.22%	91.90%

SCHEDULE OF DISTRICT CONTRIBUTIONS

<u>Fiscal Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percent of Covered Payroll</u>
6/30/2014	\$ 1,140,976	\$ 1,140,976	\$ -	\$ 9,510,676	12.00%
6/30/2015	\$ 1,080,565	\$ 1,080,565	\$ -	\$ 9,694,451	11.15%
6/30/2016	\$ 700,929	\$ 700,929	\$ -	\$ 10,123,323	6.92%

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES THE REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2016

1. OTHER POSTEMPLOYMENT BENEFITS

The schedule of funding progress for other postemployment benefits will eventually present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

2. EMPLOYEE RETIREMENT PENSION BENEFITS

Changes in Plan Provisions - A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB information found at:

https://www.oregon.gov/pers/EMP/Pages/section/er_general_information/gasb-68.aspx

Changes in Assumptions - A summary of key changes implemented since the December 31, 2013 valuation are described in the Oregon Public Retirement System's GASB 68 disclosure information which can be found at:

https://www.oregon.gov/pers/EMP/Pages/section/er_general_information/gasb-68.aspx

Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the System, which was published on September 23, 2015, and can be found at:

https://www.oregon.gov/pers/docs/2014_experience_study_9-23-15.pdf

SUPPLEMENTARY INFORMATION

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
 Estacada, Oregon

DEBT SERVICE FUND

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

YEAR ENDED JUNE 30, 2016

	Budget		Actuals	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources:				
Taxes - current year's levy	\$ 1,728,925	\$ 1,728,925	\$ 1,942,102	\$ 213,177
Taxes - prior years' levies	50,000	50,000	50,229	229
Earnings on investments	1,950	1,950	6,077	4,127
Services provided to other funds	981,357	981,357	957,522	(23,835)
Miscellaneous	64,080	64,080	64,631	551
Total Revenues	<u>2,826,312</u>	<u>2,826,312</u>	<u>3,020,561</u>	<u>194,249</u>
EXPENDITURES:				
Debt service *:				
Principal	1,555,000	1,555,000	1,555,000	-
Interest	1,521,312	1,521,312	1,521,312	-
Total Expenditures	<u>3,076,312</u>	<u>3,076,312</u>	<u>3,076,312</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(250,000)	(250,000)	(55,751)	194,249
FUND BALANCE, July 1, 2015	<u>250,000</u>	<u>250,000</u>	<u>526,464</u>	<u>276,464</u>
FUND BALANCE, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 470,713</u>	<u>\$ 470,713</u>

* Legally adopted appropriation level.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
 Estacada, Oregon

CAPITAL PROJECTS FUND

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

YEAR ENDED JUNE 30, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources:				
Earnings on investments	\$ 2,600	\$ 2,600	\$ 10,395	\$ 7,795
Contributions and donations	63,000	63,000	228,101	165,101
Total Revenues	<u>65,600</u>	<u>65,600</u>	<u>238,496</u>	<u>172,896</u>
EXPENDITURES:				
Facilities acquisition, construction and improvement services *:				
Purchased services	-	-	133,429	(133,429)
Supplies and materials	1,369,000	1,369,000	30,236	1,338,764
Capital outlay	70,600	70,600	66,345	4,255
Total Expenditures	<u>1,439,600</u>	<u>1,439,600</u>	<u>230,010</u>	<u>1,209,590</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,374,000)</u>	<u>(1,374,000)</u>	<u>8,486</u>	<u>1,382,486</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(374,000)</u>	<u>(374,000)</u>	<u>1,008,486</u>	<u>1,382,486</u>
FUND BALANCE, July 1, 2015	<u>374,000</u>	<u>374,000</u>	<u>438,276</u>	<u>64,276</u>
FUND BALANCE, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,446,762</u>	<u>\$ 2,829,248</u>

* Legally adopted appropriation level.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2016

	Tax Year	Uncollected July 1, 2015	Levy as Extended by Assessor	Discounts Allowed	Interest	Adjustments	Collections	Uncollected June 30, 2016
GENERAL FUND:								
Current			\$ 5,447,306	\$ (140,579)	\$ 2,325	\$ (7,791)	\$ 5,182,638	\$ 118,623
Prior	2014-15	\$ 118,169	-	29	4,187	(2,088)	57,504	62,793
	2013-14	60,872	-	7	4,103	(361)	22,951	41,670
	2012-13	43,489	-	6	5,563	(254)	21,763	27,041
	2011-12	28,136	-	1	3,175	(101)	10,767	20,444
	and prior	41,604	-	1	1,270	(179)	3,734	38,962
Total Prior		292,270	-	44	18,298	(2,983)	116,719	190,910
Total General Fund		292,270	5,447,306	(140,535)	20,623	(10,774)	5,299,357	309,533
DEBT SERVICE FUND:								
Current			2,045,900	(52,560)	873	(2,927)	1,946,496	44,790
Prior	2014-15	58,394	-	15	2,069	(1,032)	28,416	31,030
	2013-14	19,948	-	2	1,345	(118)	7,521	13,656
	2012-13	16,584	-	2	2,121	(99)	8,298	10,310
	2011-12	11,347	-	-	1,281	(42)	4,342	8,244
	and prior	16,452	-	-	675	(69)	1,652	15,406
Total Prior		122,725	-	19	7,491	(1,360)	50,229	78,646
Total Debt Service Fund		122,725	2,045,900	(52,541)	8,364	(4,287)	1,996,725	123,436
TOTAL ALL FUNDS		\$ 414,995	\$ 7,493,206	\$ (193,076)	\$ 28,987	\$ (15,061)	\$ 7,296,082	\$ 432,969

2015 - 16 DISTRICT AUDIT REVENUE SUMMARY
Estacada School District

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
Revenue from Local Sources							
1110 Ad Valorem Taxes Levied by District	\$5,294,048		\$1,992,331				
1120 Local Option Ad Valorem Taxes Levied by District							
1130 Construction Excise Tax				\$222,101			
1190 Penalties and Interest on Taxes							
1200 Revenue from Local Governmental Units Other Than Districts							
1311 Regular Day School Tuition - From Individuals	\$14,473						
1312 Regular Day School Tuition - Other Dist Within State	\$120,073						
1313 Regular Day School Tuition - Other Districts Outside							
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition							
1411 Transportation Fees - From Individuals	\$1,899						
1412 Transportation Fees - Other Dist Within State	\$6,373						
1413 Transportation Fees - Other Districts Outside							
1420 Summer School Transportation Fees							
1500 Earnings on Investments	\$35,123	\$5,268	\$6,077	\$10,395			
1600 Food Service		\$34,098					
1700 Extracurricular Activities		\$460,738					
1800 Community Services Activities							
1910 Rentals	\$36,550	\$3,115					
1920 Contributions and Donations From Private Sources		\$127,692					
1930 Rental or Lease Payments From Private Contractors							
1940 Services Provided Other Local Education Agencies							
1950 Textbook Sales and Rentals							
1960 Recovery of Prior Years' Expenditure							
1970 Services Provided Other Funds			\$957,522				
1980 Fees Charged to Grants	\$985						
1990 Miscellaneous	\$5,733	\$176,268	\$64,631	\$6,000			
Total Revenue from Local Sources	\$5,515,257	\$807,178	\$3,020,560	\$238,496	\$0	\$0	\$0
Revenue from Intermediate Sources							
2101 County School Funds							
2102 General ESD Revenue	\$141,629	\$157,241					
2103 Excess ESD Local Revenue							
2105 Natural Gas, Oil, and Mineral Receipts							
2110 Intermediate "I" Tax							
2199 Other Intermediate Sources	\$489						
2200 Restricted Revenue		\$143,077					
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District							
Total Revenue from Intermediate Sources	\$142,117	\$300,318	\$0	\$0	\$0	\$0	\$0
Revenue from State Sources							
3101 State School Fund - General Support	\$18,209,656						
3102 State School Fund - School Lunch Match		\$6,140					
3103 Common School Fund	\$314,644						
3104 State Managed County Timber							
3106 State School Fund - Accrual							
3199 Other Unrestricted Grants-in-Aid							
3204 Driver Education							
3222 State School Fund (SSF) Transportation Equipment		\$56,060					
3299 Other Restricted Grants-in-Aid		\$115,757					
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District							
Total Revenue from State Sources	\$18,524,300	\$177,956	\$0	\$0	\$0	\$0	\$0
Revenue from Federal Sources							
4100 Unrestricted Revenue Direct From the Federal Government							
4200 Unrestricted Revenue From the Federal Government Through the State							
4300 Restricted Revenue From the Federal Government							
4500 Restricted Revenue From the Federal Government Through the State		\$1,273,962					
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies							
4801 Federal Forest Fees	\$16,094						
4802 Impact Aid to School Districts for Operation (PL 874)							
4803 Coos Bay Wagon Road Funds							
4899 Other Revenue in Lieu of Taxes							
4900 Revenue for/on Behalf of the District		\$43,760					
Total Revenue from Federal Sources	\$16,094	\$1,317,722	\$0	\$0	\$0	\$0	\$0
Revenue from Other Sources							
5100 Long Term Debt Financing Sources		\$222,772					
5200 Interfund Transfers		\$580,353		\$1,000,000			
5300 Sale of or Compensation for Loss of Fixed Assets	\$350						
5400 Resources - Beginning Fund Balance							
Total Revenue from Other Sources	\$350	\$803,125	\$0	\$1,000,000	\$0	\$0	\$0
Grand Totals	\$24,198,119	\$3,406,299	\$3,020,560	\$1,238,496	\$0	\$0	\$0

2015 - 16 DISTRICT AUDIT EXPENDITURE SUMMARY
Estacada School District

Fund: 100 General Fund

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	\$2,978,461	\$1,901,451	\$903,215	\$15,506	\$158,289			
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$1,525,116	\$1,015,871	\$479,167	\$3,074	\$27,003			
1122 Middle/Junior High School Extracurricular	\$2,918	\$1,686	\$482		\$750			
1131 High School Programs	\$1,976,871	\$1,270,891	\$629,987	\$2,446	\$70,887		\$2,661	
1132 High School Extracurricular	\$0							
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$104	\$96	\$8					
1220 Restrictive Programs for Students with Disabilities	\$804,891	\$454,603	\$348,007	\$14	\$2,267			
1250 Less Restrictive Programs for Students with Disabilities	\$1,098,974	\$716,373	\$374,908		\$7,693			
1260 Treatment and Habilitation	\$0							
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$6,824,968	\$30,460	\$26,386	\$6,767,749	\$373			
1291 English Second Language Programs	\$178,664	\$118,757	\$59,907					
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$15,390,967	\$5,510,188	\$2,822,066	\$6,788,789	\$267,263	\$0	\$2,661	\$0
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$45,029	\$23,033	\$21,467		\$529			
2120 Guidance Services	\$458,481	\$307,181	\$146,174	\$269	\$4,857			
2130 Health Services	\$89,508	\$59,231	\$28,366	\$200	\$1,712			
2140 Psychological Services	\$66,703			\$66,703				
2150 Speech Pathology and Audiology Services	\$110,130	\$75,198	\$31,747	\$975	\$2,210			
2160 Other Student Treatment Services	\$7,894	\$5,800	\$1,618		\$476			
2190 Service Direction, Student Support Services	\$214,203	\$131,981	\$60,816	\$8,950	\$12,455			
2210 Improvement of Instruction Services	\$170,479	\$119,566	\$50,913					
2220 Educational Media Services	\$111,014	\$61,565	\$36,498	\$694	\$12,487		-\$230	
2230 Assessment & Testing	\$2,398				\$2,398			
2240 Instructional Staff Development	\$53,217			\$53,217				
2310 Board of Education Services	\$56,774			\$55,430	\$1,209		\$135	
2320 Executive Administration Services	\$368,163	\$238,426	\$83,512	\$24,613	\$12,487		\$9,125	
2410 Office of the Principal Services	\$1,393,986	\$839,636	\$437,744	\$48,239	\$42,364		\$26,002	
2490 Other Support Services - School Administration	\$0							
2510 Direction of Business Support Services	\$423,715	\$249,490	\$101,724	\$23,229	\$10,915	\$15,839	\$22,518	
2520 Fiscal Services	\$230,087		\$7,354	\$5,550			\$217,183	
2540 Operation and Maintenance of Plant Services	\$1,618,479	\$469,385	\$275,119	\$717,246	\$129,211	\$22,685	\$4,834	
2550 Student Transportation Services	\$1,468,809	\$656,549	\$398,270	\$115,538	\$261,072	\$7,000	\$30,379	
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$10,272			\$10,272				
2630 Information Services	\$10,030			\$10,030				
2640 Staff Services	\$168,178	\$88,201	\$38,658	\$28,555	\$6,927		\$5,838	
2660 Technology Services	\$628,468	\$232,334	\$117,336	\$47,036	\$231,173		\$590	
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$85,653	\$79,360	\$6,293					
Total Support Services Expenditures	\$7,791,672	\$3,636,936	\$1,843,609	\$1,216,746	\$732,483	\$45,524	\$316,375	\$0
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$0							
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement	\$0							
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$0							
5200 Transfers of Funds	\$1,580,353							\$1,580,353
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$1,580,353	\$0	\$0	\$0	\$0	\$0	\$0	\$1,580,353
Grand Total	\$24,762,991	\$9,147,123	\$4,665,675	\$8,005,535	\$999,745	\$45,524	\$319,036	\$1,580,353

2015 - 16 DISTRICT AUDIT EXPENDITURE SUMMARY
Estacada School District

Fund: 200 Special Revenue Funds

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	\$107,199	\$869	\$120	\$601	\$105,264		\$345	
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$62,992	\$174	\$46	\$11,754	\$50,862		\$156	
1122 Middle/Junior High School Extracurricular	\$0							
1131 High School Programs	\$399,956	\$2,771	\$643	\$5,816	\$390,127		\$598	
1132 High School Extracurricular	\$352,057	\$214,857	\$62,849	\$1,782	\$38,724		\$33,845	
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	-\$63			-\$63				
1220 Restrictive Programs for Students with Disabilities	\$87,326	\$57,782	\$29,225	\$320				
1250 Less Restrictive Programs for Students with Disabilities	\$22,398	\$9,803	\$4,481	\$91	\$8,023			
1260 Treatment and Habilitation	\$0							
1271 Remediation	\$0							
1272 Title I	\$284,092	\$191,525	\$92,567					
1280 Alternative Education	\$0							
1291 English Second Language Programs	\$9,603	\$5,980	\$784	\$1,905	\$547		\$387	
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$992	\$699	\$186	\$107				
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$1,326,552	\$484,460	\$190,901	\$22,313	\$593,547	\$0	\$35,331	\$0
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0							
2120 Guidance Services	\$0							
2130 Health Services	\$84,871	\$2,500	\$713	\$81,658				
2140 Psychological Services	\$0							
2150 Speech Pathology and Audiology Services	\$121,252	\$84,769	\$36,483					
2160 Other Student Treatment Services	\$139,795	\$93,589	\$46,207					
2190 Service Direction, Student Support Services	\$62,055	\$38,761	\$23,294					
2210 Improvement of Instruction Services	\$178,744	\$40,523	\$10,549	\$55,734	\$71,938			
2220 Educational Media Services	\$0							
2230 Assessment & Testing	\$0							
2240 Instructional Staff Development	\$31,580	\$174	\$14	\$31,392				
2310 Board of Education Services	\$0							
2320 Executive Administration Services	\$0							
2410 Office of the Principal Services	\$0							
2490 Other Support Services - School Administration	\$1,029		\$1,029					
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$0							
2540 Operation and Maintenance of Plant Services	\$8,886			\$8,460	\$425			
2550 Student Transportation Services	\$262,751					\$260,196	\$2,555	
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$83,372	\$2,028	\$351	\$35,113	\$45,880			
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$974,336	\$262,344	\$118,640	\$212,357	\$118,243	\$260,196	\$2,555	\$0
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$754,049	\$221,302	\$142,956	\$2,163	\$357,349	\$21,876	\$8,403	
3200 Other Enterprise Services	\$0							
3300 Community Services	\$39,884	\$8,094	\$5,816	\$25,933	\$40			
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$793,933	\$229,397	\$148,771	\$28,097	\$357,389	\$21,876	\$8,403	\$0
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$0							
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$0							
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total	\$3,094,820	\$976,200	\$458,313	\$262,767	\$1,069,180	\$282,072	\$46,289	\$0

2015 - 16 DISTRICT AUDIT EXPENDITURE SUMMARY
Estacada School District

Fund: 300 Debt Service Funds

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	\$0							
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$0							
1122 Middle/Junior High School Extracurricular	\$0							
1131 High School Programs	\$0							
1132 High School Extracurricular	\$0							
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$0							
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$0							
1260 Treatment and Habilitation	\$0							
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$0							
1291 English Second Language Programs	\$0							
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0							
2120 Guidance Services	\$0							
2130 Health Services	\$0							
2140 Psychological Services	\$0							
2150 Speech Pathology and Audiology Services	\$0							
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$0							
2210 Improvement of Instruction Services	\$0							
2220 Educational Media Services	\$0							
2230 Assessment & Testing	\$0							
2240 Instructional Staff Development	\$0							
2310 Board of Education Services	\$0							
2320 Executive Administration Services	\$0							
2410 Office of the Principal Services	\$0							
2490 Other Support Services - School Administration	\$0							
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$0							
2540 Operation and Maintenance of Plant Services	\$0							
2550 Student Transportation Services	\$0							
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$0							
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$0							
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$0							
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$3,076,312						\$3,076,312	
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$3,076,312	\$0	\$0	\$0	\$0	\$0	\$3,076,312	\$0
Grand Total	\$3,076,312	\$0	\$0	\$0	\$0	\$0	\$3,076,312	\$0

2015 - 16 DISTRICT AUDIT EXPENDITURE SUMMARY
Estacada School District

Fund: 400 Capital Projects Funds

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	\$0							
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$0							
1122 Middle/Junior High School Extracurricular	\$0							
1131 High School Programs	\$0							
1132 High School Extracurricular	\$0							
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$0							
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$0							
1260 Treatment and Habilitation	\$0							
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$0							
1291 English Second Language Programs	\$0							
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0							
2120 Guidance Services	\$0							
2130 Health Services	\$0							
2140 Psychological Services	\$0							
2150 Speech Pathology and Audiology Services	\$0							
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$0							
2210 Improvement of Instruction Services	\$0							
2220 Educational Media Services	\$0							
2230 Assessment & Testing	\$0							
2240 Instructional Staff Development	\$0							
2310 Board of Education Services	\$0							
2320 Executive Administration Services	\$0							
2410 Office of the Principal Services	\$0							
2490 Other Support Services - School Administration	\$0							
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$0							
2540 Operation and Maintenance of Plant Services	\$0							
2550 Student Transportation Services	\$0							
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$0							
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$0							
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$230,010			\$133,430	\$27,639	\$66,344	\$2,597	
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$230,010	\$0	\$0	\$133,430	\$27,639	\$66,344	\$2,597	\$0
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$0							
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total	\$230,010	\$0	\$0	\$133,430	\$27,639	\$66,344	\$2,597	\$0

SUPPLEMENTAL INFORMATION, 2015-2016

School District Business Managers and Auditors:

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

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

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

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

	Objects 325 & 326
Function 2540	\$ 370,179
Function 2550	\$ 9,434

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

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

Exclude these functions:

1113, 1122 & 1132
 1140
 1300
 1400

Co-curricular Activities
 Pre-Kindergarten
 Continuing Education
 Summer School

Exclude these functions:

4150
 2550
 3100
 3300

Construction
 Pupil Transportation
 Food Service
 Community Services

\$ -0-

SINGLE AUDIT SECTION

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To the School Board
Clackamas County School District No. 108
Estacada, Oregon

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Clackamas County School District No. 108 (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2016.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 16, 2016



To the School Board
Clackamas County School District No. 108
Estacada, Oregon

INDEPENDENT AUDITORS' 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 Clackamas County School District No. 108's (District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.



Other Matters

The result of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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 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 preceding 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

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



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

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 16, 2016

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

	<u>Grant Period</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Grant Amount</u>	<u>Expenditures</u>
U.S. Department of Education					
Passed through Oregon State Department of Education					
Title I, Part A Cluster					
Title I ESEA	2014-2015	84.010	32577	\$ 327,915	\$ 9,636
	2015-2016	84.010	35968	278,954	274,457
Total Title I, Part A Cluster				606,869	284,093
Special Education Cluster					
IDEA Part B	2015-2016	84.027	36845	415,573	398,027
IDEA Enhancement Formula	2015-2016	84.027	38313	5,305	1,042
IDEA Extended Assessment	2015-2016	84.027	35749	900	900
SPR & I Grant	2015-2016	84.027	37854	2,754	729
Total Special Education Cluster				424,532	400,698
Title III Language Instruction	2014-2015	84.365	32321	27,255	298
	2015-2016	84.365	36319	25,869	19,435
				53,124	19,733
Title IIA Improving Teacher Quality	2015-2016	84.367	36165	70,460	37,771
Total Passed through Oregon State Department of Education				1,154,985	742,295
Passed through Clackamas Education Service District					
Title 1C Migrant Education	2015-2016	84.011	N/A	4,721	992
Career Technical Education	2015-2016	84.048	N/A	11,047	6,044
Total Passed through Clackamas Education Service District				15,768	7,036
Total U.S. Department of Education				1,170,753	749,331
U.S. Department of Agriculture					
Passed through Oregon State Department of Education					
Child Nutrition Cluster					
National School Breakfast	2015-2016	10.553	N/A	103,759	103,759
Commodities	2015-2016	10.555	N/A	43,631	43,631
National School Lunch	2015-2016	10.555	N/A	359,737	359,737
National School Lunch - Snack Reimbursement	2015-2016	10.555	N/A	3,370	3,370
Summer Food - Food	2015-2016	10.559	N/A	27,997	27,997
NSLP Equipment	2015-2016	10.579	N/A	21,876	21,876
FDP Fees	2015-2016	10.560	N/A	1,335	1,335
Total Child Nutrition Cluster				561,705	561,705
Total U.S. Department of Agriculture				561,705	561,705
Department of Health & Human Services					
Passed through Clackamas County					
Teen Mentor Grant	2015-2016	93.959	16-020	10,000	6,686
Total Department of Health & Human Services				10,000	6,686
Federal Grants					
Passed through Clackamas County					
Federal Forest Fees	2015-2016	10.665	N/A	16,094	16,094
Total Federal Grants				16,094	16,094
Total Federal Financial Assistance				\$ 1,758,552	\$ 1,333,816

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation: The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Clackamas County School District No. 108 (District) programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note 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 and OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate: The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance due to the fact that the District has a negotiated indirect cost rate with Oregon Department of Education, and thus is not allowed to use the de minimis rate.

Note 4 - Subrecipients: The District has no subrecipients.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
 Estacada, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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(ies) identified not considered to be material weakness(es)?	Yes	None reported ✓
Noncompliance material to financial statements noted?	Yes	No ✓

Federal Awards:

Internal control over major programs:		
Material weakness(es) identified?	Yes	No ✓
Significant deficiency(ies) identified not considered to be material weakness(es)?	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 2 CFR Section 516(a)?	Yes ✓	No

Identification of major programs:

<u>NAME OF PROGRAM OR CLUSTER</u>	<u>CFDA NUMBER(S)</u>
Child Nutrition Cluster	10.553, 10.555, 10.559
Dollar threshold used to distinguish between type A and B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes ✓ No

SECTION II - FINANCIAL STATEMENT FINDINGS - NONE

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2016

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Program: Child Nutrition Cluster

CFDA Numbers: 10.553, 10.555, 10.559

Passed Through: Oregon Department of Education

2016-001 – Significant Deficiency in Internal Control and Material Noncompliance – *Eligibility*

Criteria – The School Food Authority (SFA), in this case Clackamas County School District No. 108, is required to review all applications used in determining a student's eligibility for free or reduced price meals and to ensure that an application is complete in order to make the correct determination.

Condition – Several eligibility applications were missing required components needed to determine eligibility.

Cause – On one application the family member completing the application listed unknown as an income amount. In two instances an administrative approval was given without the proper documentation of the need for administrative approval.

Effect – The missing information may have resulted in a change in status of the students.

Questioned Costs – None.

Context – The application with income listed as unknown appears to be an isolated oversight. The administrative approval lacking proper documentation appears to be due to a misunderstanding of the requirements for administrative approvals.

Recommendation – Develop a system by which processed applications are reviewed by another trained staff member, the purpose of which is to determine that the required information is listed and the application is complete according to the program requirements.

Views of Responsible Officials – Management agrees with the finding and has created a more reliable system for ensuring the accuracy of eligibility determinations on all Federal Free and Reduced Meal applications. The new system includes a second trained Nutrition Services staff member who will process applications for eligibility on a daily basis. Each application will then be reviewed and verified by the department coordinator. District Administrators have been trained on the proper procedures for submitting Free and Reduced Meal applications for students under the Administrator Approval eligibility guidelines.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2016

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-002 – Significant Deficiency in Internal Control and Material Noncompliance – *Special Tests and Provisions – Verification*

Criteria – The School Food Authority (SFA), in this case Clackamas County School District No. 108, is required to perform a verification of certain applications annually. Calculations related to income are required to follow specific procedures to convert various pay periods to a monthly amount.

Condition – Income was miscalculated because specified procedures were not followed correctly.

Cause – Biweekly pay was multiplied by 2, while the correct procedure was to multiply by 26 and divide by 12.

Effect – The application should have resulted in a change in the student's status from free to reduced.

Questioned Costs – None.

Context – This appears to be an isolated instance with trivial financial consequences.

Recommendation – Develop a system by which the verification process is reviewed by another trained staff member.

Views of Responsible Officials – Management agrees with the finding and has created a more reliable system for ensuring the accuracy of the annual verification process. Prior to submission of the verification report to the state by the department coordinator, the verification will be reviewed by the Fiscal Services Coordinator for compliance with all the verification requirements.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDING

Federal Program: Child Nutrition Cluster

CFDA Numbers: 10.553, 10.555, 10.559

Passed Through: Oregon Department of Education

Finding 15-01

Condition – Students qualifying for free and reduced meals were occasionally receiving additional meals. These additional meals were not eligible for reimbursement. The point of sale system recorded this additional meal separately but when reimbursement requests were manually completed and submitted to the ODE these additional meals were included as reimbursable meals. Additionally, one month a typographical error resulted in an incorrect amount of breakfasts being included as reimbursable meals.

Recommendation – We recommended that the District implement a system of internal controls which provides for a review of reimbursement requests prior to submission to the ODE to prevent such errors from occurring.

Current Status: The district adopted the recommendation in December 2015.

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**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATION**



CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

We have audited the basic financial statements of Clackamas County School District No. 108, Estacada, Oregon (District) as of and for the year ended June 30, 2016, and have issued our report thereon dated December 16, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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

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

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

OAR 162-10-0230 Internal Control

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



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

We noted certain matters that we reported to management of Clackamas County School District No. 108, in a separate letter dated December 16, 2016.

Purpose of this Report

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

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 16, 2016

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