

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

Financial Statements and
Supplementary Information

Year Ended June 30, 2015

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

OFFICIALS OF THE DISTRICT

June 30, 2015

BOARD OF DIRECTORS

<u>Name</u>	<u>Term Expires</u>
Rick Mudrow, Chair 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 33626 SE Doyle Road Estacada, OR 97023	June 30, 2017
Leslie André 20576 S Springwater Road Estacada, OR 97023	June 30, 2015
Ralph Branson 931 Edgehill Drive Estacada, OR 97023	June 30, 2015
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, Business Manager

DISTRICT ADDRESS

255 NE Sixth Avenue
Estacada, Oregon 97023

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

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, 2015, 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, 2015, 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.



Change in Accounting Principle

As described in the Note 12 to the financial statements, during the year ended June 30, 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 23, 2015, 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 23, 2015, 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 23, 2015

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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, 2015**

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, 2015. 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.

NEW ACCOUNTING PRONOUNCEMENT IMPLEMENTED

As stated in the Notes to the Basic Financial Statements Item #12, the District adopted GASB Statement No. 68 as required. It significantly changed the way in which the District's financial statements recognize pension expense and pension liabilities. Throughout this report, this restatement of liabilities will be reflected.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets of the District exceeded its liabilities at June 30, 2015 by \$1,587,467. This is the third year in a positive trend, which indicates that the District is maintaining and improving upon its financial health. Although as originally stated, last year's ending net position was \$6,322,733, once GASB 68 was applied to both years, last year's ending net position was restated as a deficit of \$6,583,330. For FY 14/15 the District's Net Position includes \$7,562,390 invested in capital assets, net of related debt, \$1,426,925 restricted for debt service, grants and programs, and capital projects, and a deficit of \$7,401,848 unrestricted. Although substantially higher than last year's original deficit of \$506,966, as restated, last year's deficit was \$13,413,029. To make a valid comparison the restated deficit should be applied, in which case the district decreased its unrestricted deficit by \$6,011,181. This positive trend indicates that the District continues on its path to a healthy financial position.
- When all of the GASB 68 restatements are included, the District's total net position increased by \$8,170,797. This is a strong indication that the District's financial health continues to improve and will be vital if the District considers reinvesting in its physical assets over the next several years to support the District's strategic plan.
- The value of reversing negative trends is also indicated in the Statement of Activities; whereby the District actually spent less than it received in revenue for a third straight year. For the current year, the amount received over the amount spent was \$8,170,797. This is significantly more than last year's gain of \$680,826. The impact this has upon fund balances will be elaborated upon throughout this analysis.
- The District's governmental funds reported a combined ending fund balance of \$6,005,969, which represents an increase over last year combined fund balance of \$4,017,019. This is the second year of a positive trend in fund balance. An increase of almost two million dollars is significant, especially in consideration of future increases in PERS (Public Employees Retirement System) employer rates. For the current year, both the General Fund and the Debt Service Fund increased, whereby the Special Revenue and Capital Funds project decreased. The General Fund increased by over two million. This is important, as the General Fund is the main operating fund, from which the District supports its teaching and learning activities. This year, the General Fund has totally recovered and gained ground from its less than a million fund balance in FY 12/13.
- The Capital Projects Fund decreased for a third year in a row. This year's decrease was \$357,805, which is substantially more than the \$232,670 it decreased by in FY 13/14. The result of this trend is a balance of well under a half million dollars. Fortunately, in anticipation of a healthy General Fund, the District budgeted a million dollar transfer in FY 15/16 to replenish the Capital Projects Fund. Unfortunately, the cumulative years of the District's buildings and the lack of deferred maintenance well exceeds the District's ability to internally fund its facilities needs. The current state of the District's facilities is questionable as it relates to providing an environment conducive to teaching and learning. Funding for the long term facilities needs of the District will inevitably be major decision facing the District over the next two years.

Clackamas County School District #108

Fiscal Year Ended June 30, 2015

- The District made significant progress to rebuild a healthy fund balance, especially in the General Fund. Although not generally thought of as related to academic excellence, a financially healthy district has made it possible to construct a framework that allows the District to focus upon teaching and learning and academic achievement.
- Of that \$6,005,969 total ending fund balance, \$5,255,858 is either nonspendable, restricted or assigned, leaving \$750,111 undesignated. Last year the undesignated fund balance was \$1,327,503. Although this does represent a decrease, the District purposefully chose to transfer one million dollars to the Capital Projects Fund, which renders that amount as “assigned”.
- The major increase in Fund Balance occurred in the General Fund. A fund balance of \$4,199,234 against \$22,624,458 in expenditures and transfers out exceeds the suggested range of 10 – 15% by 3.5%. However, this was projected and used in developing the FY15/16 budget.
- The District’s total long term debt decreased by \$1,524,323 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 \$21,594,865 in expenses related to government activities, which includes depreciation expenses. Of the \$21,594,865 in expenses, \$626,325 were offset by program-specific charges for services provided within the District, \$2,715,423 were offset by Operating Grants and Contributions, and \$63,651 were offset by Capital Grants and Contributions. The total offsets from program specific revenue and grants were \$3,405,399. This was very consistent to last year’s amount of \$3,348,857.

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 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.

Clackamas County School District #108

Fiscal Year Ended June 30, 2015

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 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 Assets 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 assets may serve, over time, as a useful indicator of a government's financial position. The District, assets exceed liabilities by \$1,587,467 at June 30, 2015. Although this is a significant decrease from what was originally stated for FY13/14 of \$6,322,733, when looking at the restated FY13/14 ending net position of a deficit of \$6,583,330, the more accurate indication is very positive.

Capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent approximately 72% of total assets, which is 5% higher than it was in FY13/14. The remaining assets consist mainly of cash, cash equivalents, cash with trustee, property taxes and other receivables, and the proportionate share of net pension assets.

The District's largest liability (96%) is for the repayment of Long Term Debt. This is the same percentage as in FY13/14. 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, 2015

**Net Position at Fiscal Year-End
June 30, 2015 and 2014**

	Governmental Activities		Increase (Decrease)
	June 30, 2015	June 30, 2014 ⁽¹⁾	
Current and other assets	\$ 10,413,634	\$ 4,510,395	\$ 5,903,239
Capital assets	26,325,149	26,717,260	(392,111)
Total Assets	36,738,783	31,227,655	5,511,128
Deferred outflows of resources	1,080,565	1,140,976	(60,411)
Current liabilities	1,234,473	2,877,263	(1,642,790)
Long-term debt	30,492,853	35,681,841	(5,188,988)
Total Liabilities	31,727,326	38,559,104	(6,831,778)
Deferred inflows of resources	4,504,555	392,857	4,111,698
Net Position:			
Net investment in capital assets	7,562,390	6,775,180	787,210
Restricted for debt service	1,426,925	54,519	1,372,406
Unrestricted	(7,401,848)	(13,413,029)	6,011,181
Total Net Position	\$ 1,587,467	\$ (6,583,330)	\$ 8,170,797

(1) Restated for GASB 68

During the current fiscal year, the District's net position increased by \$8,170,797 as restated for GASB 68. This increase is significant in considering the District's recent past of a declining net position. The actions taken over the past three years are now paying its dividends it repositioning the District in a much more positive position.

Governmental activities. The key elements of the change in the District's net position for the year ended June 30, 2015 are as follows (Please note that the Change in Net Position is inclusive of the GASB 65 and GASB 68 Adjustment):

Clackamas County School District #108
Fiscal Year Ended June 30, 2015

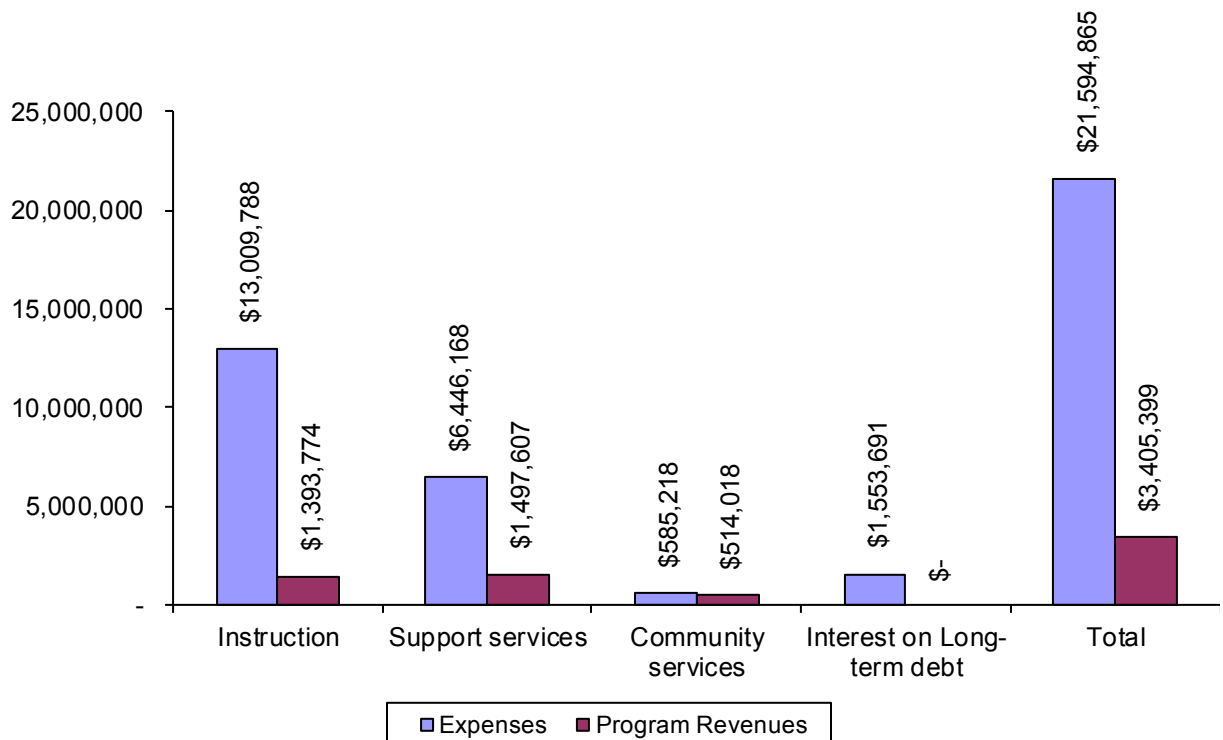
**Changes in Net Position
For the Year Ended June 30, 2015 and 2014**

	Governmental Activities		Increase
	June 30, 2015	June 30, 2014	(Decrease)
Revenues:			
Program Revenues:			
Charges for services	\$ 626,325	\$ 878,302	\$ (251,977)
Operating grants and contributions	2,715,423	2,376,034	339,389
Capital grants & contributions	63,651	94,521	(30,870)
General Revenues:			
Property taxes levied for general purpose	4,950,374	4,707,876	242,498
Property taxes levied for debt service	2,443,974	1,541,342	902,632
State school fund - general fund	18,202,988	17,020,533	1,182,455
Unrestricted state and local sources	593,552	545,669	47,883
Earnings on investments	37,754	31,832	5,922
Miscellaneous	131,621	2,500	129,121
Total Revenues	<u>29,765,662</u>	<u>27,198,609</u>	<u>2,567,053</u>
Expenses:			
Instruction			
Regular programs	5,873,660	7,259,006	(1,385,346)
Special programs	7,136,128	9,108,541	(1,972,413)
Support Services			
Student services	1,176,427	1,446,234	(269,807)
Instructional staff services	282,017	115,876	166,141
General administration	327,755	358,518	(30,763)
School administration	1,053,936	1,354,802	(300,866)
Business services	2,976,484	3,830,947	(854,463)
Central activities	629,549	804,648	(175,099)
Enterprises and Community Services			
Food services	552,361	607,942	(55,581)
Community services	32,857	21,628	11,229
Interest on Long-term debt	1,553,691	1,609,641	(55,950)
Total Expenses	<u>21,594,865</u>	<u>26,517,783</u>	<u>(4,922,918)</u>
Change in net position	8,170,797	680,826	7,489,971
Net position - beginning	6,322,733	5,641,907	680,826
Restated per GASB 68 Implementation	(12,906,063)	-	(12,906,063)
Net position - beginning, restated	<u>(6,583,330)</u>	<u>5,641,907</u>	<u>(12,225,237)</u>
Net position - end as restated	<u>\$ 1,587,467</u>	<u>\$ 6,322,733</u>	<u>\$ (4,735,266)</u>

Clackamas County School District #108
Fiscal Year Ended June 30, 2015

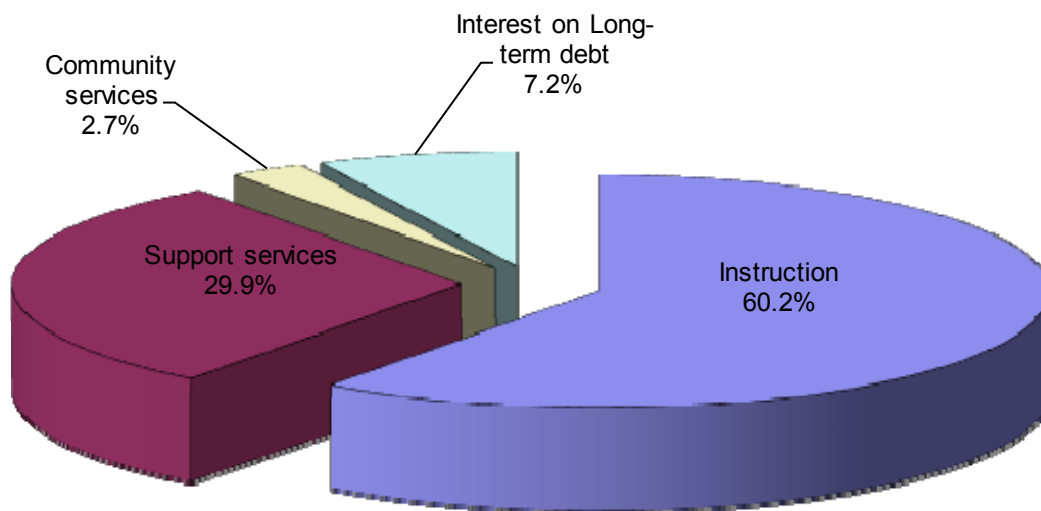
- Total Revenue increased by \$2,567,053 and Total Expenses decreased by \$4,922,918. In FY 14/15 the District's governmental activities, revenue exceeded expenses by \$8,170,797. However, after the related GASB 68 adjustments, the net position as restated was \$1,587,467 which is a decrease of \$4,735,266. However, the onset of GASB 68 will take a few years to provide meaningful comparative data. The excess of revenue over expenses is a more accurate picture of the positive direction in which the District's finances are taking.

**Expense and Program Revenue - Governmental Activities
For the Year Ended June 30, 2015**



Overall, the District spent significantly less in FY14/15 than in FY13/14. This is true in every category of expense. As the district's enrollment continues to decline, this may become a recurring trend. However, in budgeting for FY15/16, a concerted effort was made to reduce class sizes, especially at the elementary levels which will increase our staffing levels and our expenses. Additionally, the implementation of the District's strategic master plan will render additional dollars being allocated to bring about district level improvements in all areas. As the reader can see, the District prepared itself for any increase in spending and is well positioned to bring about positive change.

**Expenses by Function - Governmental Activities
For the Year Ended June 30, 2015**



It is important to note on the Expenses by Function, that direct instructional services continues to consume 60.2% of overall expenditures and Support Service 29.9%. The most significant increase in overall expenses from last year's distribution was an increase in Interest on Long-term debt. Last year, this category consumed 6% of all expenses whereby this year that percentage was 7.2%.

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, undesignated 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, 2015, the District's governmental funds reported a combined fund balance of \$6,005,969. This represents an increase of \$1,988,950. This is an important and significant divergence from the District's recent past. This continued positive trend is enabling the District's ability to focus resources on implementing the District's Strategic Plan that support improved performance.

Clackamas County School District #108

Fiscal Year Ended June 30, 2015

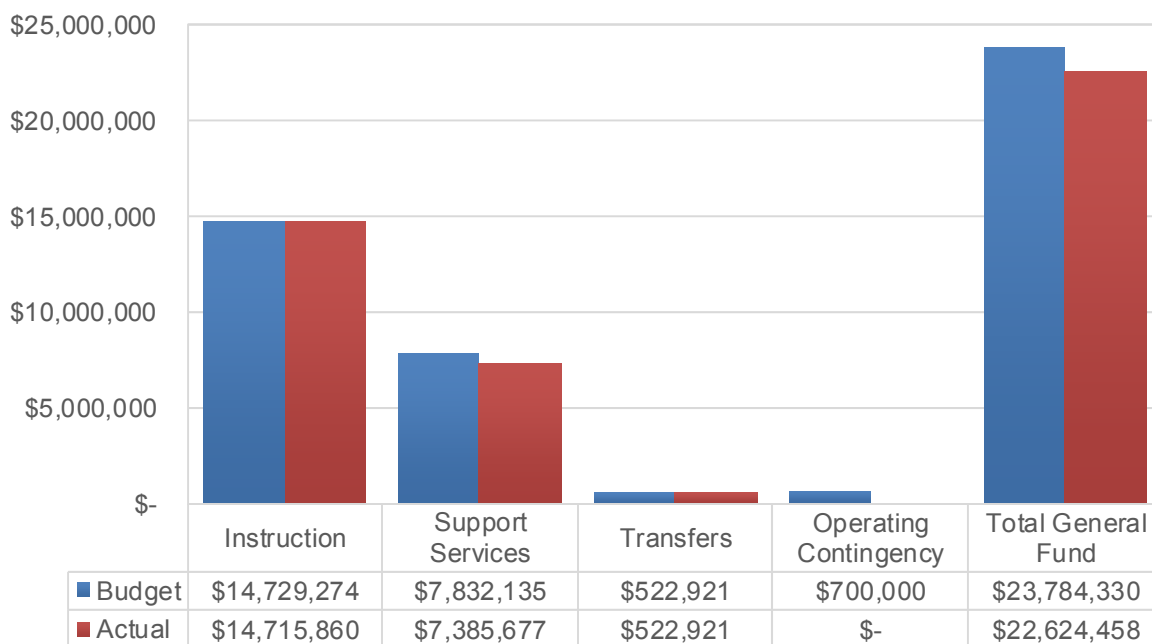
General Fund. The general fund is the chief operating fund of the District. As of June 30, 2015, the General Fund ending fund balance was \$4,199,234. This is a significant increase over FY13/14's Fund balance of \$2,068,375. As a major indicator of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. For the General Fund, fund balance represents 18.5% of total General Fund expenditures (including transfers). This percentage increased from 9.4% last year. The District has comfortably exceeded the recommended 10-15% level. However, this enabled the District to take steps in replenishing the evaporating Capital Projects fund and will allow some planned preparation for the inevitable 4-5% increase in employer PERS rates, while allowing the District to maintain and build upon successful educational programs. The District should be mindful and purposeful in maintaining a healthy fund balance within recommended levels.

Capital Projects Fund. The Capital Funds Project has a total fund balance at June 30, 2015 of \$438,276. This is a decrease of \$357,805 over last year. As anticipated the Three Lynx demolition project and the High School Reroofing project did deplete this fund to under \$500,000. In response, the District had sufficient resources to at least replenish the Capital Projects Fund in FY15/16. Although this provides a small safety net, the District has some major decisions to make if it is going to provide a warm, safe and dry environment for students.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, the District did spend 95.1% of its budgeted General Fund. This is down from 97.6% last year. Spending 95.1% of the District's budget indicates that a more conservative approach was taken in both estimating revenues and expenditures. The District should strive in keeping to this general percentage of expenditures.

Budget to Actual
General Fund



Clackamas County School District #108
Fiscal Year Ended June 30, 2015

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, 2015 the District had invested over \$26,325,149 in Capital Assets including land and net of depreciation, as shown in the following table:

June 30, 2015 and 2014			
	Governmental Activities		Increase (Decrease)
	June 30, 2015	June 30, 2014	
Land	\$ 216,256	\$ 216,256	\$ -
Construction in Progress	-	-	-
Capital Assets Being Depreciated			
Building and improvements	37,664,126	37,325,784	338,342
Vehicles/equipment	3,485,875	3,355,143	130,732
Total Assets Being Depreciated	41,150,001	40,680,927	469,074
Less Accumulated Depreciation for			
Buildings and improvements	(12,053,324)	(11,305,873)	(747,451)
Vehicles/equipment	(2,987,784)	(2,874,050)	(113,734)
Total Accumulated Depreciation	(15,041,108)	(14,179,923)	(861,185)
Total Capital Assets Being Depreciated, net	26,108,893	26,501,004	(392,111)
Total Capital Assets, net	\$ 26,325,149	\$ 26,717,260	\$ (392,111)

During the year, the District's investment in capital assets decreased by \$392,111. Last year the decrease was \$599,369. Depreciation continues to outpace any additions to the District's Capital assets. This should be of concern to the District and deserves some concerted strategies to reverse this decline in our physical assets. As the Facilities Assessment Master Plan is completed, the District needs to seriously consider the best way in which to reverse the continued deterioration of its physical assets.

Additional information regarding the District's capital assets can be found in Note 4 on page 39 of this report.

Long Term Debt. At June 30, 2015, the District had total debt outstanding of \$28,531,455 consisting of General Obligation Bond (refunded and original), PERS UAL bonds, obligations under capital leases, and the addition of a QSCB Bond to finance the District Energy Savings Projects.

At June 30, 2015, the District's long term debt decreased by \$1,627,018 exclusive of current obligations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The overall economic factors impacting the District's financial outlook have not changed significantly since last year with the exception of the PERS anticipated rate increases for the next biennium (2017-2019). Last year, the reductions that were built in the current rate were based upon reforms that were largely reversed by the State Supreme Court. Since PERS sets rates for a two fiscal year period, the increases are being rolled into the FY 17/18

Clackamas County School District #108
Fiscal Year Ended June 30, 2015

and FY 18/19 budget years. This increase will likely cost the District \$300,000 in associated payroll costs. Additionally, full implementation of the Affordable Care Act will more than likely push premium rates up, which in turn will put pressure on the District to increase its health care benefits. Fortunately, the District continues to position itself to meet those operational challenges while adjusting staffing levels in accordance with shifts in enrollment.

The current state of Oregon's and national economy remains positive, which may offset some of these anticipated cost increases. However, the District's enrollment for those attending non-charter schools continues to decline and may cancel out per pupil increase in funding. Enrollment will need to be continuously taken into account as the District moves forward in budgeting for FY16/17.

In conclusion, the District has done an extraordinary job in using its resources to regain a healthy financial position. This position will likely see the District through its significant challenges in enrollment and anticipated cost increases. The only area in which the District needs to come to some significant decisions are regarding how best to address the physical state of the its buildings. It is near to impossible to conserve enough revenue to meet the existing capital improvement needs. Alternative funding measures will need to be considered if the physical assets of the District are going to survive the next five to fifty years.

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, 2015**

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash, cash equivalents and investments	\$ 6,376,244
Cash with trustee	3,076
Property taxes and other receivables	1,153,874
Prepays	39,686
Inventory	14,965
Proportionate share of net pension asset	2,825,789
Land	216,256
Buildings and equipment, net of accumulated depreciation	<u>26,108,893</u>
TOTAL ASSETS	<u>36,738,783</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Pension	<u>1,080,565</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,080,565</u>
<u>LIABILITIES:</u>	
Accounts payable	231,694
Accrued payroll, taxes and withholdings	963,386
Accrued interest payable	39,393
Long-term debt:	
Net pension obligation	149,682
Other postemployment benefits	577,556
Due within one year	1,591,304
Due in more than one year	<u>28,174,311</u>
TOTAL LIABILITIES	<u>31,727,326</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Deferred gain on refunding	357,143
Pension	<u>4,147,412</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,504,555</u>
<u>NET POSITION:</u>	
Net investment in capital assets	7,562,390
Restricted	1,426,925
Unrestricted	<u>(7,401,848)</u>
TOTAL NET POSITION	<u><u>\$ 1,587,467</u></u>

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 10
Estacada, Oregon

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<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>	
Instruction:					
Regular programs	\$ 5,873,660	\$ 538,639	\$ 279,343	\$ -	\$ (5,055,678)
Special programs	7,136,128	-	575,792	-	(6,560,336)
Support services:					-
Student services	1,176,427	-	318,576	-	(857,851)
Instructional staff services	282,017	-	173,070	-	(108,947)
General administration	327,755	-	-	-	(327,755)
School administration	1,053,936	-	-	-	(1,053,936)
Business services	2,976,484	63,178	840,000	63,651	(2,009,655)
Central activities	629,549	-	39,132	-	(590,417)
Enterprise and community services:					
Food services	552,361	23,403	480,917	-	(48,041)
Community services	32,857	1,105	8,593	-	(23,159)
Interest on long-term debt	1,553,691	-	-	-	(1,553,691)
Total	\$ 21,594,865	\$ 626,325	\$ 2,715,423	\$ 63,651	(18,189,466)
GENERAL REVENUES:					
Property taxes levied for general purposes					4,950,374
Property taxes levied for debt service					2,443,974
State school fund - general support					18,202,988
Unrestricted state and local sources					593,552
Earnings on investments					37,754
Miscellaneous					131,621
Total General Revenues					26,360,263
CHANGE IN NET POSITION					8,170,797
NET POSITION - beginning as restated					(6,583,330)
NET POSITION - ending					\$ 1,587,467

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, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
ASSETS					
Cash, cash equivalents and investments	\$ 4,922,005	\$ 527,544	\$ 504,146	\$ 422,549	\$ 6,376,244
Cash with trustee	-	-	3,076	-	3,076
Property taxes and other receivables	565,751	428,867	132,580	26,676	1,153,874
Prepays	39,686	-	-	-	39,686
Inventory	-	14,965	-	-	14,965
TOTAL ASSETS	<u>\$ 5,527,442</u>	<u>\$ 971,376</u>	<u>\$ 639,802</u>	<u>\$ 449,225</u>	<u>\$ 7,587,845</u>
LIABILITIES:					
Accounts payable	\$ 91,364	\$ 129,381	\$ -	\$ 10,949	\$ 231,694
Accrued payroll, taxes and withholdings	963,386	-	-	-	963,386
TOTAL LIABILITIES	<u>1,054,750</u>	<u>129,381</u>	<u>-</u>	<u>10,949</u>	<u>1,195,080</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	273,458	-	113,338	-	386,796
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>273,458</u>	<u>-</u>	<u>113,338</u>	<u>-</u>	<u>386,796</u>
FUND BALANCES:					
Nonspendable	39,686	14,965	-	-	54,651
Restricted	-	462,185	526,464	438,276	1,426,925
Assigned	3,409,437	364,845	-	-	3,774,282
Unassigned	750,111	-	-	-	750,111
TOTAL FUND BALANCES	<u>4,199,234</u>	<u>841,995</u>	<u>526,464</u>	<u>438,276</u>	<u>6,005,969</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,527,442</u>	<u>\$ 971,376</u>	<u>\$ 639,802</u>	<u>\$ 449,225</u>	<u>\$ 7,587,845</u>

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, 2015

TOTAL FUND BALANCES		\$ 6,005,969
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Land	\$ 216,256	
Buildings and equipment	41,150,001	
Accumulated depreciation	<u>(15,041,108)</u>	26,325,149
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.		
		386,796
The proportionate share of the net pension asset is not reported as an asset in the governmental funds.		
		2,825,789
Pension payments recorded as expenses in the governmental funds must be reported as deferred outflows of resources in the Statement of Net Position.		
		1,080,565
The amortization of the proportionate share of the gain on pension investments is not reported in the governmental funds.		
		(4,147,412)
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		(39,393)
Post employment benefits		(149,682)
Other postemployment benefits		(577,556)
Bonds payable		(29,615,000)
Deferred gain		(357,143)
Capital lease obligations		<u>(150,615)</u>
TOTAL NET POSITION		<u>\$ 1,587,467</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, 2015

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
REVENUES:					
Local sources:					
Property taxes	\$ 4,940,376	\$ -	\$ 2,428,385	\$ -	\$ 7,368,761
Charges for services	157,007	444,532	932,173	-	1,533,712
Earnings on investments	21,394	5,044	7,750	3,566	37,754
Miscellaneous	5,187	72,511	103,619	131,621	312,938
Intermediate sources	325,443	173,017	-	-	498,460
State sources	19,292,277	215,196	-	-	19,507,473
Federal sources	13,633	1,399,517	-	-	1,413,150
Total Revenues	24,755,317	2,309,817	3,471,927	135,187	30,672,248
EXPENDITURES:					
Current:					
Instruction	14,715,860	1,463,703	-	-	16,179,563
Support services	7,305,962	839,664	-	-	8,145,626
Enterprise and community services	-	734,403	-	-	734,403
Facilities acquisition and construction	-	-	-	154,650	154,650
Capital outlay	79,715	51,017	-	338,342	469,074
Debt service:					
Principal	-	-	1,410,000	-	1,410,000
Interest	-	-	1,589,982	-	1,589,982
Total Expenditures	22,101,537	3,088,787	2,999,982	492,992	28,683,298
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,653,780	(778,970)	471,945	(357,805)	1,988,950
OTHER FINANCING SOURCES (USES):					
Transfers in	-	522,921	-	-	522,921
Transfers out	(522,921)	-	-	-	(522,921)
Total other financing sources (uses)	(522,921)	522,921	-	-	-
NET CHANGES IN FUND BALANCE	2,130,859	(256,049)	471,945	(357,805)	1,988,950
FUND BALANCES, July 1, 2014	2,068,375	1,098,044	54,519	796,081	4,017,019
FUND BALANCES, June 30, 2015	\$ 4,199,234	\$ 841,995	\$ 526,464	\$ 438,276	\$ 6,005,969

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, 2015

NET CHANGES IN FUND BALANCES		\$ 1,988,950
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	\$ 469,074	
Depreciation	<u>(861,185)</u>	(392,111)
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.		1,410,000
Accrual of proportionate share of the net pension asset is not reported as an expenditure in the governmental funds.		5,053,815
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.		2,083
Payments on capital leases and new capital leases are recorded as a change in liabilities on the Statement of Net Position.		78,609
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.		11,362
Other postemployment benefits are reported in the Statement of Activities but not reported as an expenditure in the governmental funds.		(43,211)
Revenues that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.		<u>25,586</u>
CHANGE IN NET POSITION		<u>\$ 8,170,797</u>

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 10

Estacada, Oregon

GENERAL FUND**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources:				
Property taxes	\$ 4,576,584	\$ 4,576,584	\$ 4,940,376	\$ 363,792
Charges for services	53,000	53,000	157,007	104,007
Earnings on investments	25,000	25,000	21,394	(3,606)
Miscellaneous	8,000	8,000	5,187	(2,813)
Intermediate sources	116,353	116,353	325,443	209,090
State sources	17,490,393	18,290,393	19,292,277	1,001,884
Federal sources	15,000	15,000	13,633	(1,367)
	<u>22,284,330</u>	<u>23,084,330</u>	<u>24,755,317</u>	<u>1,670,987</u>
EXPENDITURES:				
Instruction *	13,929,274	14,729,274	14,715,860	13,414
Support services *	7,832,135	7,832,135	7,385,677	446,458
Contingency *	700,000	700,000	-	700,000
	<u>22,461,409</u>	<u>23,261,409</u>	<u>22,101,537</u>	<u>1,159,872</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(177,079)</u>	<u>(177,079)</u>	<u>2,653,780</u>	<u>2,830,859</u>
OTHER FINANCING SOURCES (USES):				
Transfers out *	<u>(522,921)</u>	<u>(522,921)</u>	<u>(522,921)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(522,921)</u>	<u>(522,921)</u>	<u>(522,921)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(700,000)</u>	<u>(700,000)</u>	<u>2,130,859</u>	<u>2,830,859</u>
FUND BALANCE, July 1, 2014	<u>700,000</u>	<u>700,000</u>	<u>2,068,375</u>	<u>1,368,375</u>
FUND BALANCE, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,199,234</u>	<u>\$ 4,199,234</u>

* Legally adopted appropriation level.

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 10
Estacada, Oregon

SPECIAL REVENUE FUND

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

YEAR ENDED JUNE 30, 2015

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actuals</u>	<u>Final Budget</u>
REVENUES:				
Local sources:				
Charges for services	\$ 730,000	\$ 730,000	\$ 444,532	\$ (285,468)
Earnings on investments	3,201	3,201	5,044	1,843
Other	285,000	285,000	72,511	(212,489)
Intermediate sources	392,000	392,000	173,017	(218,983)
State sources	233,000	233,000	215,196	(17,804)
Federal sources	1,769,331	1,769,331	1,399,517	(369,814)
	<u>3,412,532</u>	<u>3,412,532</u>	<u>2,309,817</u>	<u>(1,102,715)</u>
Total Revenues				
EXPENDITURES:				
Instruction *	2,276,951	2,276,951	1,514,720	762,231
Support services *	1,368,401	1,368,401	839,664	528,737
Enterprise and community services *	734,501	734,501	734,403	98
Contingency *	70,000	70,000	-	70,000
	<u>4,449,853</u>	<u>4,449,853</u>	<u>3,088,787</u>	<u>1,361,066</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,037,321)</u>	<u>(1,037,321)</u>	<u>(778,970)</u>	<u>258,351</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	522,921	522,921	522,921	-
	<u>522,921</u>	<u>522,921</u>	<u>522,921</u>	<u>-</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCE	<u>(514,400)</u>	<u>(514,400)</u>	<u>(256,049)</u>	<u>258,351</u>
FUND BALANCE, July 1, 2014	<u>514,400</u>	<u>514,400</u>	<u>1,098,044</u>	<u>583,644</u>
FUND BALANCE, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 841,995</u>	<u>\$ 841,995</u>

* 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, 2015

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, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash with Trustee

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

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget (Continued)

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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District maintains a common cash, cash equivalents and investment pool for all District funds. The types of investments in which the District may invest are restricted by State of Oregon statutes. Authorized investments include general obligations of the United States Government and its agencies, obligations of the States of Oregon, California, Washington and Idaho that have a rating of AA or better, A-1 commercial paper and bankers acceptances, AA rated corporate bonds, time deposits, repurchase agreements and the State of Oregon Treasurer's Local Government Investment Pool.

At June 30, 2015, the District's cash, cash equivalents and investments is comprised of the following:

Cash on hand	\$ 3,199
Deposits with financial institutions:	
Demand deposits, non-interest bearing	842,892
State of Oregon Treasurer's	
Local Government Investment Pool	5,530,153
	<u>\$ 6,376,244</u>

Deposits with Financial Institutions

Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance is \$1,198,483. Of these deposits, \$500,000 was covered by federal depository insurance. 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 the State Treasurer. As a result the District has no exposure to custodial credit risk for deposits with financial institutions.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

2. CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk

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.

Credit Risk

As mentioned above, Oregon Revised Statutes limits the investments that the District may have. The District is in compliance with these statutes at June 30, 2015. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk

Custodial risk is the risk that, in the event of failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. At June 30, 2015, the District does not have investments exposed to custodial credit risk.

3. RECEIVABLES

Receivables at June 30, 2015 are comprised of the following:

Property Taxes	\$ 414,995
Undistributed Tax Collections	41,701
Grants	382,931
Other	314,247
	<hr/>
	\$ 1,153,874
	<hr/>

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 216,256	\$ -	\$ -	\$ 216,256
Construction in Progress	-			-
Total capital assets not being depreciated	216,256	-	-	216,256
Capital Assets being depreciated:				
Buildings and improvements	37,325,784	338,342		37,664,126
Vehicles and equipment	3,355,143	130,732		3,485,875
Total capital assets being depreciated	40,680,927	469,074	-	41,150,001
Less accumulated depreciation for:				
Buildings and improvements	(11,305,873)	(747,451)		(12,053,324)
Vehicles and equipment	(2,874,050)	(113,734)		(2,987,784)
Total accumulated depreciation	(14,179,923)	(861,185)	-	(15,041,108)
Total capital assets being depreciated, net	26,501,004	(392,111)	-	26,108,893
Total capital assets, net	<u>\$ 26,717,260</u>	<u>\$ (392,111)</u>	<u>\$ -</u>	<u>\$ 26,325,149</u>

Equipment with a cost of approximately \$377,746 is financed under capital leases.

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

Instruction:	
Regular programs	\$ 249,443
Special programs	307,474
Support Services:	
Student services	50,640
Instructional staff services	12,141
General administration	14,107
School administration	45,305
Business services	124,708
Central activities	26,706
Enterprise and community services:	
Food services	23,743
Community services	1,415
Facilities acquisition	5,503
Total	<u>\$ 861,185</u>

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**YEAR ENDED JUNE 30, 2015****5. LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2015 are as follows:

	Outstanding July 1, 2014	Issued	Redeemed and Matured	Outstanding June 30, 2015
Obligations under capital leases	\$ 229,224	\$ -	\$ 78,609	\$ 150,615
2005 general obligation refunding bonds; original issue \$21,300,000; interest from 3.00% to 5.50%	18,495,000	-	1,000,000	17,495,000
2005 pension bonds; original issue \$12,695,000; interest from 4.052% to 4.759%	11,705,000	-	345,000	11,360,000
2011 QBSCB Bonds original issue \$1,100,000; interest 5.050%	825,000	-	65,000	760,000
	31,254,224	-	1,488,609	29,765,615
Less: current portion	(1,488,609)			(1,591,304)
	<u>\$ 29,765,615</u>			<u>\$ 28,174,311</u>

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
2016	\$ 36,304	\$ 1,085,000	\$ 405,000	\$ 65,000	\$ 1,591,304	\$ 1,521,312
2017	37,190	1,205,000	475,000	65,000	1,782,190	1,442,761
2018	38,097	1,335,000	550,000	65,000	1,988,097	1,354,043
2019	39,024	1,475,000	625,000	65,000	2,204,024	1,254,999
2020		1,620,000	710,000	65,000	2,395,000	1,145,104
2021-2025		10,775,000	5,065,000	325,000	16,165,000	3,572,082
2026-2028		-	3,530,000	110,000	3,640,000	309,787
	<u>\$ 150,615</u>	<u>\$ 17,495,000</u>	<u>\$ 11,360,000</u>	<u>\$ 760,000</u>	<u>\$ 29,765,615</u>	<u>\$ 10,600,088</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.

Obligations under capital leases consist of the lease of four vehicles with an original cost of \$377,746 with an average interest rates of 3.115%.

6. INTERFUND TRANSFERS

The General Fund transferred \$522,921 of resources to the Special Revenue Fund for matching as required by grant awards.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

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 the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited CAFR which can be found at:

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

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

Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

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.

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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

7. RETIREMENT PLANS (Continued)

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.

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates are based on a percentage of payroll, which first became effective July 1, 2013. Employer contributions for the year ended June 30, 2015 were \$1,138,262, excluding amounts to fund employer specific liabilities. The contribution rates in effect for the fiscal year ended June 30, 2015 for Tier 1/Tier 2 and OPSRP were 13.82% and 11.82% respectively.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

7. RETIREMENT PLANS (Continued)

The employer contribution rates effective July 1, 2013, through June 30, 2015, 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a net pension asset of \$2,825,789 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2012, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012. The District's proportion of the net pension asset 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, 2014 the District's proportion was .12%.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 4,089,472
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	57,940
District contributions subsequent to the measurement date	<u>1,080,565</u>	<u>-</u>
Net deferred outflow (inflow) of resources	<u>\$ 1,080,565</u>	<u>\$ 4,147,412</u>

\$1,080,565 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or inflows of resources related to pension expense in subsequent years are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ (1,379,251)
2017	(1,379,251)
2018	(1,379,251)
2019	<u>(9,658)</u>
	<u>(4,147,411)</u>

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

7. RETIREMENT PLANS (Continued)

Actuarial Assumptions - The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	December 31, 2012 rolled forward to June 30, 2014.
Experience Study Report	2012, published September 18, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service
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 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

7. RETIREMENT PLANS (Continued)

Depletion Date Projection - GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/A or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

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%

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

7. RETIREMENT PLANS (Continued)

Long-term Expected Rate of Return - To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 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.

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%

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

7. RETIREMENT PLANS (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 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:

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
District's proportionate share of the net pension liability (asset)	\$ 5,984,023	\$ (2,825,789)	\$ (10,276,846)

Changes in Plan Provisions - Senate Bill 822, signed into law in May 2013, eliminated the SB 656/HB 3349 tax remedy payments for benefit recipients who are not subject to Oregon income tax, because they do not reside in Oregon, and limited the 2013 post-retirement COLA to 1.5% of annual benefit.

Senate Bill 861, signed into law in October 2013, limited the post-retirement COLA for years beyond 2013 to 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

Senate Bill 862, signed into law in October 2013, makes targeted changes such as allowing garnishment of PERS benefits for convicted felons. These changes do not significantly affect System liabilities and were not reflected in the valuation.

For GASB 67 and 68, the total pension liability must be calculated based on the benefit terms legally in effect as of the relevant fiscal year-end for the plan. Due to the timing of the benefit changes, this means only Senate Bill 822 is reflected in the June 30, 2013 total pension liability, but that the combined effects of Senate Bills 822 and 861 are reflected in the June 30, 2014 total pension liability. The decrease in the total pension liability resulting from Senate Bill 861, measured as of June 30, 2014, created a \$2,423.6 million reduction in System pension liabilities.

Changes Subsequent to the Measurement Date - In April 2015, the Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result of this decision, the total pension liability is estimated to increase by \$4,920 million. The District's proportionate share (.12%) of this increase is \$6,133,495. If this change had occurred prior to the measurement date, the District's statement of net position would reflect a net pension liability of \$3,307,706 versus a pension asset of \$2,825,789.

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

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

7. RETIREMENT PLANS (Continued)

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

720 sick leave hours = \$500.00 for a maximum of 48 months
900 sick 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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

7. RETIREMENT PLANS (Continued)

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, 2015, 2014, and 2013 are summarized as follows:

	Year Ended June 30,		
	2015	2014	2013
Annual required contribution	\$ 128,818	\$ 128,320	125,803
Interest on net pension obligation	6,039	4,548	3,601
Adjustments	(21,359)	(16,087)	(12,735)
Annual pension cost	113,498	116,781	116,669
Contributions made	(124,860)	(77,032)	(91,394)
Increase in net pension obligation	(11,362)	39,749	25,275
Net pension obligation - beginning of year	161,044	121,295	96,020
Net pension obligation - end of year	\$ 149,682	\$ 161,044	121,295

The annual required contribution (ARC) for the year ended June 30, 2015 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.

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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

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, 2015, 2014, and 2013.

	Year Ended June 30,		
	2015	2014	2013
Annual required contribution	\$ 84,252	\$ 110,346	\$ 108,182
Interest on net OPEB obligation	20,038	17,278	14,265
Adjustments to annual required contribution	(22,546)	(19,441)	(16,052)
Annual OPEB cost	81,744	108,183	106,395
Contributions made	(38,533)	(34,582)	(26,074)
Increase in net OPEB obligation	43,211	73,601	80,321
Net OPEB obligation - beginning of year	534,345	460,744	380,423
Net OPEB obligation - end of year	<u>\$ 577,556</u>	<u>\$ 534,345</u>	<u>\$ 460,744</u>

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

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 were 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>
2012	\$ 137,003	\$ 41,846	30.5%	\$ 380,423
2013	106,395	26,074	24.5%	460,744
2014	108,183	34,582	32.0%	534,345
2015	81,744	38,533	47.1%	577,556

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.

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 Oregon 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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2015

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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, 2015, 2014 and 2013 were approximately \$47,961, \$51,540, and \$60,659 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.

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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**YEAR ENDED JUNE 30, 2015****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, 2015
Nonspendable:					
Inventory	\$ -	\$ 14,965	\$ -	\$ -	\$ 14,965
Prepaid items	39,686	-	-	-	39,686
Restricted for:					
Capital projects	-	-	-	438,276	438,276
College Scholarships	-	66,428	-	-	66,428
Debt Service	-	-	526,464	-	526,464
Federal, State and private grants	-	12,911	-	-	12,911
Food Service	-	(31,184)	-	-	(31,184)
High School Building	-	49,618	-	-	49,618
High School Inheritance	-	17,339	-	-	17,339
Student Activities	-	340,659	-	-	340,659
Technology	-	6,414	-	-	6,414
Assigned to:					
Appropriated ending fund balance	3,409,437	-	-	-	3,409,437
Community Schools	-	49,066	-	-	49,066
Curriculum & Instruction	-	224,276	-	-	224,276
Estacada Alternative School	-	34,937	-	-	34,937
Insurance reserve	-	3,842	-	-	3,842
Transportation Bus Replacement	-	52,724	-	-	52,724
Unassigned	750,111	-	-	-	750,111
	<u>\$ 4,199,234</u>	<u>\$ 841,995</u>	<u>\$ 526,464</u>	<u>\$ 438,276</u>	<u>\$ 6,005,969</u>

12. ADOPTION OF GASB STATEMENT NO. 68

During the year, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This new standard establishes accounting and financial reporting requirements for contributing employers related to the recognition of pension expense and pension liabilities. The implementation of this statement had had the following effect on the net position previously reported.

	Net Position
Net Position, June 30, 2014, as previously reported	\$ 6,322,733
Change in Reporting for Net Pension Asset	(7,611,191)
Net Pension Liability at Measurement Date	(6,361,814)
Deferred Outflows	
Employer Pension Contributions for the Year Ended June 30, 2014	1,140,976
Deferred Inflow - District's Contributions Made During Fiscal Year 2014	(74,034)
Net deferred outflow (inflow) of resources	<u>\$ (6,583,330)</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, 2015****IMPLICIT MEDICAL BENEFIT**

Valuation Date	Actuarial Values of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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%

STIPEND BENEFIT

Valuation Date	Actuarial Values of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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, 2015****SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Fiscal Year Ended	(a) District's Proportion of the Net Pension Liability (NPL)	(b) District's Proportionate Share of the Net Pension Liability (NPL)	(c) District's Covered Payroll	(b/c) NPL as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.12466454%	\$ 6,361,814	\$ 9,510,676	66.9%	91.97%
6/30/2015	0.12466454%	\$ (2,825,789)	\$ 9,694,451	-29.1%	103.60%

SCHEDULE OF DISTRICT CONTRIBUTIONS

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percent of Covered Payroll
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%

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES THE REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

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 Subsequent to Measurement Date - On April 30, 2015, the Oregon Supreme Court ruled that the provisions of Senate Bill 861, signed into law in October 2013, which limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before Senate Bill 861 passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a two percent increase annually. OPERS will make restoration payments to eligible recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and not included in the net pension liability (asset) proportionate shares provided to employers in June 2015.

It is estimated that this change will increase net pension liability by \$6,133,495.

Changes in Assumptions - A summary of key changes implemented since the December 31, 2011 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at: <http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>.

Changes in Actuarial Methods and Allocation Procedures - Actuarial Cost Method - The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method. This change will allow OPERS to use the same cost method for contribution rate calculations as required for financial reporting under GASB Statements No. 67 and 68.

Tier 1/Tier 2 Unfunded Actuarial Liability (UAL) amortization - In combination with the change in cost method, the OPERS Board chose to re-amortize the outstanding Tier 1/Tier 2 UAL as of December 31, 2013 over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20-year period from the valuation in which they are first recognized.

Contribution Rate Stabilization Method - The "grade-in range" over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70 to 60 percent or increases from 130 to 140 percent. Previously the ranges had been 80 to 70 percent and 120 to 130 percent. The modification to the grade-in range was made in combination with the change to actuarial cost method, as discussed at the July 2013 OPERS Board public meeting.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES THE REQUIRED SUPPLEMENTARY INFORMATION (Continued)

YEAR ENDED JUNE 30, 2015

2. EMPLOYEE RETIREMENT PENSION BENEFITS (Continued)

Allocation of Liability for Service Segments - For purposes of allocating Tier 1/Tier 2 members' actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by OPERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier 1/Tier 2 population. For the December 31, 2010 and December 31, 2011 valuations, the Money Match was weighted 40 percent for General Service members and 10 percent for Police and Fire members. For the December 31, 2012 and December 31, 2013 valuations, this weighting has been adjusted to 30 percent for General Service members and 5 percent for Police and Fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

Changes in Economic Assumptions - Investment Return and Interest Crediting - The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75 percent. Previously, the assumed investment return and interest crediting to regular account balances was 8 percent and the assumed interest crediting to variable account balances was 8.25 percent.

OPSRP Administrative Expenses - Assumed administrative expenses for the OPSRP System were reduced from \$6.6 million per year to \$5.5 million per year.

Healthcare Cost Inflation - The healthcare cost inflation for the maximum Retiree Health Insurance Premium Account (RHIPA) subsidy was updated based on analysis performed by Milliman's healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2018 by the Patient Protection and Affordable Care Act.

Changes in Demographic Assumptions - Healthy Mortality - The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

Disabled Mortality - The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables. Gender-specific adjustments were applied to align the assumption with recently observed system experience. RP2000 are mortality tables developed by the Society of Actuaries for the Secretary of Treasury.

Disability, Retirement from Active Status, and Termination - Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

Changes in Salary Increase Assumptions - Merit Increases, Unused Sick Leave, and Vacation Pay - Unused sick leave and vacation pay rates were adjusted.

Retiree Healthcare Participation - The RHIA participation rate for healthy retirees was reduced from 48 to 45 percent. The RHIPA participation rate was changed from a uniform rate of 13 percent to a service-based table of rates.

(Source: December 31, 2012 OPERS Actuarial Valuation p.89)

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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, 2015

	<u>Budget</u>			
	<u>Original</u>	<u>Final</u>	<u>Actuals</u>	<u>Variance with Final Budget</u>
REVENUES:				
Local sources:				
Taxes - current year's levy	\$ 1,944,425	\$ 1,944,425	\$ 2,378,549	\$ 434,124
Taxes - prior years' levies	50,000	50,000	49,836	(164)
Earnings on investments	1,350	1,350	7,750	6,400
Services provided to other funds	934,657	934,657	932,173	(2,484)
Miscellaneous	70,560	70,560	103,619	33,059
Federal sources				-
Total Revenues	<u>3,000,992</u>	<u>3,000,992</u>	<u>3,471,927</u>	<u>470,935</u>
EXPENDITURES:				
Debt service *:				
Principal	1,410,000	1,410,000	1,410,000	-
Interest	<u>1,590,992</u>	<u>1,590,992</u>	<u>1,589,982</u>	<u>1,010</u>
Total Expenditures	<u>3,000,992</u>	<u>3,000,992</u>	<u>2,999,982</u>	<u>1,010</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	-	-	471,945	471,945
FUND BALANCE, July 1, 2014	<u>-</u>	<u>-</u>	<u>54,519</u>	<u>54,519</u>
FUND BALANCE, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 526,464</u></u>	<u><u>\$ 526,464</u></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, 2015

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES:				
Local sources:				
Earnings on investments	\$ 4,250	\$ 4,250	\$ 3,566	\$ (684)
Contributions and donations	33,000	33,000	131,621	98,621
	<u>37,250</u>	<u>37,250</u>	<u>135,187</u>	<u>97,937</u>
Total Revenues				
EXPENDITURES:				
Facilities acquisition, construction and improvement services *:				
Purchased services	300,000	300,000	148,132	151,868
Supplies and materials	637,000	637,000	6,518	630,482
Capital outlay	113,250	113,250	338,342	(225,092)
	<u>1,050,250</u>	<u>1,050,250</u>	<u>492,992</u>	<u>557,258</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,013,000)</u>	<u>(1,013,000)</u>	<u>(357,805)</u>	<u>655,195</u>
NET CHANGE IN FUND BALANCE	<u>(1,013,000)</u>	<u>(1,013,000)</u>	<u>(357,805)</u>	<u>655,195</u>
FUND BALANCE, July 1, 2014	<u>1,013,000</u>	<u>1,013,000</u>	<u>796,081</u>	<u>(216,919)</u>
FUND BALANCE, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 438,276</u>	<u>\$ 438,276</u>

* Legally adopted appropriation level.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2015

	Tax Year	Uncollected July 1, 2014	Levy as Extended by Assessor	Discounts Allowed	Interest	Adjustments	Collections	Uncollected June 30, 2015
<u>GENERAL FUND:</u>								
Current		\$ -	\$ 5,066,659	\$ (129,914)	\$ 1,997	\$ (7,229)	\$ 4,813,344	\$ 118,169
Prior	2013-14	121,037	-	38	5,152	(2,174)	63,181	60,872
	2012-13	67,760	-	3	5,152	(319)	29,107	43,489
	2011-12	47,778	-	6	6,663	(417)	25,894	28,136
	2010-11	27,109	-	6	3,495	(378)	11,672	18,560
	and prior	27,723	-	-	2,685	(1,262)	6,102	23,044
Total Prior		291,407	-	53	23,147	(4,550)	135,956	174,101
Total General Fund		291,407	5,066,659	(129,861)	25,144	(11,779)	4,949,300	292,270
<u>DEBT SERVICE FUND:</u>								
Current		-	2,503,704	(64,198)	987	(3,571)	2,378,528	58,394
Prior	2013-14	39,664	-	13	1,688	(712)	20,705	19,948
	2012-13	25,838	-	1	1,965	(122)	11,098	16,584
	2011-12	19,267	-	3	2,687	(168)	10,442	11,347
	2010-11	11,374	-	2	1,467	(158)	4,897	7,788
	and prior	10,759	-	-	1,085	(487)	2,693	8,664
Total Prior		106,902	-	19	8,892	(1,647)	49,835	64,331
Total Debt Service Fund		106,902	2,503,704	(64,179)	9,879	(5,218)	2,428,363	122,725
TOTAL ALL FUNDS		\$ 398,309	\$ 7,570,363	\$ (194,040)	\$ 35,023	\$ (16,997)	\$ 7,377,663	\$ 414,995

SUPPLEMENTAL INFORMATION, 2014-2015

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		\$ 447,924
Function 2550		\$ 10,765

B.

Replacement of Equipment – **General Fund:**
Include all General Fund expenditures in object 542, except for the following exclusions:
Exclude these functions:

		Exclude these functions:	
1113, 1122 & 1132	Co-curricular Activities	4150	Construction
1140	Pre-Kindergarten	2550	Pupil Transportation
1300	Continuing Education	3100	Food Service
1400	Summer School	3300	Community Services

\$ -0-

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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, 2015, 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 23, 2015.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 15-01 that we consider to be significant deficiencies.



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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 15-01.

District's Response to Findings

The District's response to the 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 23, 2015



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 OMB CIRCULAR A-133

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 Circular A-133 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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.



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 OMB Circular A-133, 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.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 15-01 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 23, 2015

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**YEAR ENDED JUNE 30, 2015**

	<u>Grant Period</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Grant Amount</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>					
Passed through Oregon State Department of Education					
Title I, Part A Cluster					
Title I ESEA	2013-2014	84.010	28122	\$ 271,293	\$ 9,387
	2014-2015	84.010	32577	327,915	318,279
Total Title I, Part A Cluster				599,208	327,666
Special Education Cluster					
IDEA Part B	2013-2014	84.027	28431	423,666	5,616
	2014-2015	84.027	33258	407,629	407,629
IDEA Enhancement Formula	2013-2014	84.027	29763	5,305	215
IDEA Extended Assessment	2014-2015	84.027	31832	900	-
SPR & I Grant	2014-2015	84.027	32084	2,645	125
				840,145	413,585
IDEA Part B, 619	2012-2013	84.173	26253	3,560	536
	2013-2014	84.173	28840	3,244	530
Total Special Education Cluster				846,949	414,651
SODG EBISS Breadth	2013-2014	84.323	26831	3,000	2,379
	2014-2015	84.323	33044	2,313	899
	2014-2015	84.323	32719	6,000	-
				11,313	3,278
Title III Language Instruction	2014-2015	84.365	32321	27,255	25,804
Title IIA Improving Teacher Quality	2013-2014	84.367	28637	77,000	6,737
	2014-2015	84.367	32901	71,695	71,695
				148,695	78,432
Total Passed through Oregon State Department of Education				1,633,420	849,831
Passed through Clackamas Education Service District					
Title 1C Migrant Education	2013-2014	84.011	N/A	5,193	2,611
	2014-2015	84.011	N/A	5,989	5,978
				11,182	8,589
Career Technical Education	2013-2014	84.048	N/A	14,360	3,398
Total Passed through Clackamas Education Service District				25,542	11,987
Passed through Oregon Department of Human Services					
Vocational Rehabilitation Grants To States	2014-2015	84.126A	N/A	59,229	46,613
Total U.S. Department of Education				1,718,191	908,431
<u>U.S. Department of Agriculture</u>					
Passed through Oregon State Department of Education					
Child Nutrition Cluster					
National School Breakfast	2014-2015	10.553	N/A	97,796	97,796
Commodities	2014-2015	10.555	N/A	32,500	32,500
National School Lunch	2014-2015	10.555	N/A	311,981	311,981
National School Lunch - Snack Reimbursement	2014-2015	10.555	N/A	2,507	2,507
Summer Food - Food	2014-2015	10.559	N/A	29,534	29,534
Total Child Nutrition Cluster				474,318	474,318
Total U.S. Department of Agriculture				474,318	474,318
<u>U.S. Department of Labor, Employment & Training Administration</u>					
Passed through Clackamas Education Service District					
WIA Youth Services	2014-2015	17.259	N/A	27,000	16,768
Total U.S. Department of Labor, Employment & Training Administration				27,000	16,768
<u>Federal Grants</u>					
Passed through Clackamas County					
Federal Forest Fees	2014-2015	10.665	N/A	13,633	13,633
Total Federal Grants				13,633	13,633
Total Federal Financial Assistance				\$ 2,233,142	\$ 1,413,150

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation: The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clackamas County School District No. 108 and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments and Non-profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

Note 2 - Donated Commodities: Donated commodities are valued at their estimated fair market value.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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 that are 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 Section 510 (a) of *Circular A-133*? Yes___ No ☒

Identification of major programs:

CFDA NUMBER

NAME OF PROGRAM OR CLUSTER

10.553, 10.555, 10.559
84.010

Child Nutrition Cluster
Title I Part A

Dollar threshold used to distinguish between type A and B programs \$ 300,000

Auditee qualified as low-risk auditee? Yes ☒ No___

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 15-01

Federal Program: CFDA 10.553, 10.555, 10.559 Child Nutrition Cluster

Federal Agencies: Department of Agriculture

Pass Through Entity: Oregon Department of Education

Criteria: The District should have a system of internal controls such that misstatements of the accounting records would be prevented, detected, and corrected by District staff in the normal course of their duties. Duties should be segregated to the extent possible in order to separate the initiation, authorization, and review of transactions. The District is required to report meal counts from the District's point of sale system to the Oregon Department of Education (ODE) for reimbursement of free and reduced meals provided to students.

Condition: Students qualifying for free and reduced meals occasionally receive additional meals. These additional meals are not eligible for reimbursement. The point of sale system records 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.

Questioned Costs: None

Context: No review was being performed prior to submission of the reimbursement requests to ODE. This resulted in the District incorrectly reporting the number of reimbursable free and reduced meals.

Effect: The district received incorrect reimbursements from ODE.

Recommendation: We recommend 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.

Corrective Action Plan: The district has implemented a process by which reimbursement requests will be reviewed prior to submission to ODE.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 15-01 (See detailed reporting in Section II above)

This finding applies to both the financial statements and Federal Awards.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDING - NONE

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

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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, 2015, and have issued our report thereon dated December 23, 2015. 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.



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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 15-01 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.

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 23, 2015