

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

Financial Statements and  
Supplementary Information

Year Ended June 30, 2014

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**

Estacada, Oregon

**OFFICIALS OF THE DISTRICT**

**June 30, 2014**

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Term Expires</u>
Rick Mudrow, Chair P.O. Box 1833 Estacada, OR 97023	June 30, 2017
Angi Riedel, Vice Chair 21003 S Mattoon Road Estacada, OR 97023	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
Sonja McCarty 263 NW Wade Street Estacada, OR 97023	June 30, 2015

**DISTRICT ADMINISTRATION**

Howard Fetz, 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, 2014, 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, 2014, 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, 2014, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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 9, 2014, 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 9, 2014, 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 9, 2014

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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, 2014**

This discussion and analysis of Clackamas County School District #108's (the District's) financial performance provides an overall review of the financial activities for the year ended June 30, 2014. 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**

The District has implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* ("GASB 63") and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). GASB 63 renamed the Statement of Net Assets to the statement of Net Position, as well as reported Net Assets, and components thereof, to Net Position. GASB 65 resulted in the restatement of the District's fiscal year 2013 government-wide financials statements to recognize bond issuance costs in the period they were paid. Prior to GASB 65, bond issuance costs were carried on the Statement of Net Position and amortized over the life of the bonds. Since GASB 65 requires retroactive treatment, any carrying costs and amortization thereof have been excluded pursuant to the Statement and reported as a restatement of beginning net position in fiscal year 2013. The effect on the District's statements is a reduction to last year's Net Position from \$5,908,511 to \$5,641,907. For the purposes of this analysis all comparisons will be made to the adjusted Net Position of \$5,641,907.

**FINANCIAL HIGHLIGHTS**

- In the government-wide statements, the assets of the District exceeded its liabilities at June 30, 2014 by \$6,322,733. After a four-year decline, this marks the second year of a positive trend in Net Position. Additionally, the gain of \$680,826 is significantly more than last year's gain of \$92,353. Of that amount \$6,775,180 represents the District's investment in capital assets, \$54,519 is restricted for debt service, leaving a deficit of \$506,966 unrestricted. Last year this deficit was \$1,265,247. This decrease is actually a positive trend. Continued vigilance in managing both the District's assets and liabilities is necessary as it would behoove the District to continue to decrease the deficit in unrestricted funds.
- The District's total net position increased by \$680,826. During the four year negative trend, the District's loss was over 2.5 million. Although the District made some significant progress last year, it still has a significant challenge to recoup this loss. Net position is a vital statistic indicating the overall financial health of an organization. Over the past 5 years, the District's net position has consistently decreased at varying degrees. This two year positive trend is important to continue as the District's financial health is an important part of its ability to improve teaching and learning.
- 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 second year. For the current year, the amount received over the amount spent was \$680,826. This is significantly more than last year, and taking into consideration that in previous years the district spent more than it had taken in, it is an important and positive shift. The Statement of Activities includes all governmental activities and does not necessarily predicate changes in fund balance in any particular fund as will be elaborated upon below.

Clackamas County School District #108  
Fiscal Year Ended June 30, 2014

- The District's governmental funds reported a combined ending fund balance of \$4,017,019, which represents an increase over last year of \$781,221. This reverses the persistent trend of a declining combined ending fund balance, which is again a positive shift. For the current year, both the General Fund and the Special Revenue Fund increased. This is important, as these are the two main operating funds of the District. Last year the General Fund's ending balance had decreased by \$350,765, leaving a dangerously low fund balance of fewer than one million dollars. This was in addition to a decrease of \$671,141 in the preceding year (FY 11/12). This year, the General Fund has come close to compensating for that loss in gaining just over one million dollars in fund balance. This was a concerted effort and goal for FY 13/14 and continues to be a goal for the upcoming years.
- The Capital Projects Fund decreased for a second year in a row. This year's decrease was \$232,670, which is substantially more than the \$38,490 it decreased by in FY 12/13. The result of this trend is a resulting balance of well under a million dollars. Unfortunately, the District has already faced some significant expenses in the Capital Projects Funds that will further erode the District's ability to maintain and/or make necessary updates to its facilities. It is recommended that the District look to ways in which it can restore this fund. A healthy and comfortable physical environment is essential to teaching and learning. The current state of the District's facilities is questionable as it relates to providing such an environment and not having the capital to make improvements hampers its efforts.
- The District made significant efforts throughout FY 12/13, FY 13/14 and FY 14/15 to reverse the erosion of its fund balance, especially in the General Fund. Although not generally thought of as related to academic excellence, a financially healthy district is a key component to such ends. It is difficult to focus upon teaching and learning and academic achievement when the District is constantly distracted by either cutting programs or its inability to implement new strategies.
- Of that \$4,017,019 total ending fund balance, \$2,689,516 is either nonspendable, restricted or assigned, leaving \$1,327,503 undesignated. Last year the undesignated fund balance was \$544,126. The corrective actions the District took were successful in reversing what was a negative trend.
- The beneficiary of this action was the General Fund, which ended FY 13/14 with a \$2,068,375 fund balance. Excluding transfers, this represents 9.65% of total General Fund Expenditures, up from 5.00% in FY 12/13. This represents a significant reversal a four-year trend of a declining beginning fund balance as measured against General Fund Expenditures. The District is now just under the suggested range of 10 – 15%.
- The District's total debt decreased by \$1,157,374 this year, exclusive 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 \$26,517,783 in expenses related to government activities, which includes depreciation expenses. Of the \$26,517,783 in expenses, \$878,302 were offset by program-specific charges for services provided within the District, \$2,376,034 were offset by Operating Grants and Contributions, and \$94,521 were offset by Capital Grants and Contributions. The total offsets from program specific revenue and grants were \$3,348,857. This was down by \$490,463 from last year, mainly due to the ending of a major capital grant.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

*The Statement of Net Position.* The statement of net position presents information on all of the assets and liabilities of the District at year-end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

*The Statement of Activities.* The statement of activities presents information showing how the net assets of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

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

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

**Fund Financial Statements.** The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate 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 47 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 \$6,322,733 at June 30, 2014. Last year, assets exceeded liabilities by \$5,641,907 (as restated). This represents an increase of \$680,826. Although this is now a two-year positive trend, it is important for the District to continue to make a concerted effort to restore and maintain a positive trend in assets and fund balances.

Capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent approximately 67% of total assets, which is 1% higher than it was in FY 12/13. The remaining assets consist mainly of cash, cash equivalents, cash with trustee, property taxes and other receivables, and prepaid pension expenses. Prepaid pension expenses alone accounted for 19% of the District's current assets. These percentages are similar to FY 12/13.

The District's largest liability (96%) is for the repayment of Long Term Debt. 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).

Although the Net position still shows a deficit under "unrestricted" of \$506,966, it is less than half of the deficit of last year -\$1,263,247. This trend indicates that the District is significantly improving its overall financial state, which enhances its ability to focus resources on teaching and learning.

Clackamas County School District #108  
 Fiscal Year Ended June 30, 2014

**Net Position at Fiscal Year-End  
 June 30, 2014 and 2013**

	Governmental Activities		Increase (Decrease)
	June 30, 2014	June 30, 2013	
Current and other assets	\$ 13,262,562	\$ 13,297,729	\$ (35,167)
Capital assets	26,717,260	27,316,629	(599,369)
Total Assets	<u>39,979,822</u>	<u>40,614,358</u>	<u>(634,536)</u>
Current liabilities	2,803,229	2,611,212	192,017
Long-term debt	30,461,003	31,666,063	(1,205,060)
Total Liabilities	<u>33,264,232</u>	<u>34,277,275</u>	<u>(1,013,043)</u>
Deferred inflows of resources	392,857	428,572	(35,715)
Net Position:			
Invested in capital assets, net of related debt	6,775,180	6,733,063	42,117
Restricted for debt service	54,519	438,695	(384,176)
Unrestricted	(506,966)	(1,263,247)	756,281
Total Net Position	<u>\$ 6,322,733</u>	<u>\$ 5,908,511</u>	<u>\$ 414,222</u>

(Note that the Net Position for June 30, 2013 is as originally stated and does not reflect the GASB 65 adjustment)

During the current fiscal year, the District's net position increased by \$414,222 as originally sated. This is an important and positive reversal over the past four years of a declining net position. The actions taken over the past two years were well advised and effective in facilitating this change. It is certainly recommended that the District continue to be extremely prudent in its use of resources in order to maintain this positive trend.

Clackamas County School District #108  
 Fiscal Year Ended June 30, 2014

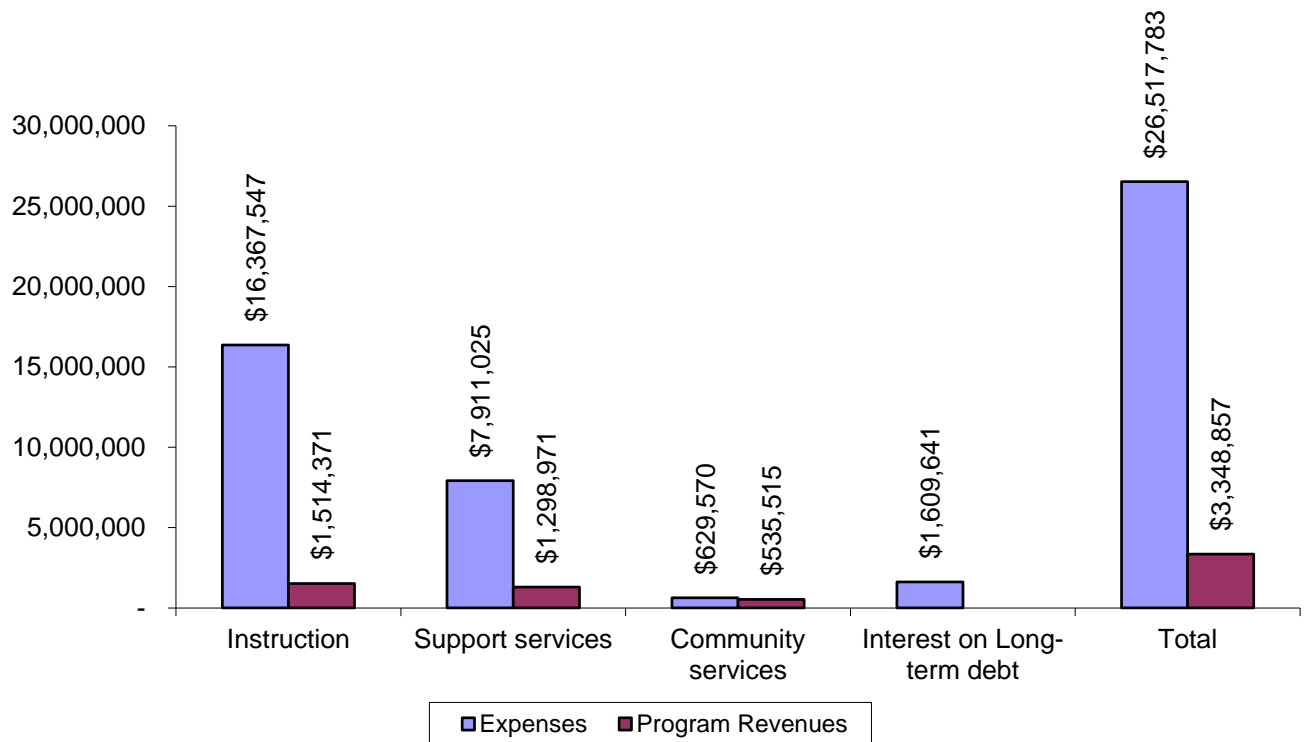
**Governmental activities.** The key elements of the change in the District's net position for the year ended June 30, 2014 are as follows (Please note that the Change in Net Position is inclusive of the GASB 65 Adjustment):

<b>Changes in Net Position For the Year Ended June 30, 2014 and 2013</b>			
	<u>Governmental Activities</u>		Increase
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>(Decrease)</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 878,302	\$ 684,778	\$ 193,524
Operating grants and contributions	2,376,034	2,721,857	(345,823)
Capital grants & contributions	94,521	432,685	(338,164)
General Revenues:			
Property taxes levied for general purpose	4,707,876	4,513,888	193,988
Property taxes levied for debt service	1,541,342	1,817,442	(276,100)
State school fund - general fund	17,020,533	15,572,232	1,448,301
Unrestricted state and local sources	545,669	528,899	16,770
Earnings on investments	31,832	28,036	3,796
Miscellaneous	2,500	106,520	(104,020)
Total Revenues	<u>27,198,609</u>	<u>26,406,337</u>	<u>792,272</u>
Expenses:			
Instruction			
Regular programs	7,259,006	7,004,019	254,987
Special programs	9,108,541	9,205,912	(97,371)
Support Services			
Student services	1,446,234	1,344,568	101,666
Instructional staff services	115,876	305,514	(189,638)
General administration	358,518	329,351	29,167
School administration	1,354,802	1,254,444	100,358
Business services	3,830,947	3,785,418	45,529
Central activities	804,648	796,767	7,881
Enterprises and Community Services			
Food services	607,942	551,188	56,754
Community services	21,628	56,863	(35,235)
Interest on Long-term debt	1,609,641	1,679,940	(70,299)
Total Expenses	<u>26,517,783</u>	<u>26,313,984</u>	<u>203,799</u>
Change in net position	680,826	92,353	588,473
Net position - beginning	<u>5,641,907</u>	<u>5,816,158</u>	<u>(174,251)</u>
Net position - end	6,322,733	5,908,511	414,222
GASB 65 adoption adjustment	-	(266,604)	266,604
Net position - end as restated	<u>\$ 6,322,733</u>	<u>\$ 5,641,907</u>	<u>\$ 680,826</u>

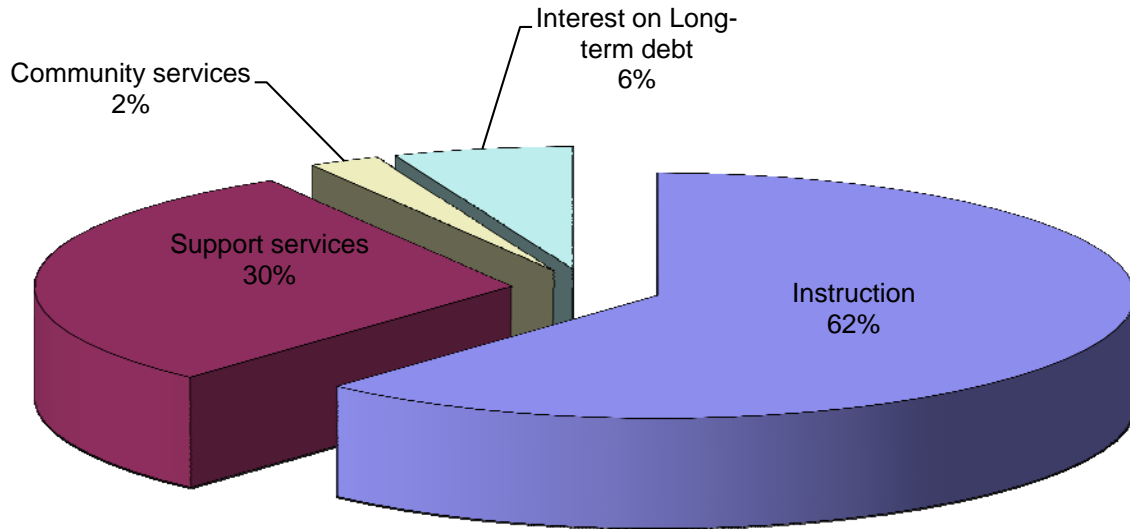
Clackamas County School District #108  
 Fiscal Year Ended June 30, 2014

- Total Revenue increased by \$792,272 and Total Expenses increased by \$203,799. In FY 13/14 the District's governmental activities, revenue exceeded expenses by \$680,826. Last year, Total Expenses Revenue exceeded Total Expenditure by \$92,353. In previous years, this was not the case, resulting in the erosion of the District's General Fund Ending Balance. The continued positive trend is important as it indicates that the District is now accelerating its trajectory into a positive rather than negative direction. If continued, the District ability to provide adequate service levels to its students becomes much more secure.

**Expense and Program Revenue - Governmental Activities  
 For the Year Ended June 30, 2014**



**Expenses by Function - Governmental Activities  
For the Year Ended June 30, 2014**



It is important to note on the Expenses by Function, that direct instructional services continues to consume 62% of overall expenditures. This includes calculating all expenses such as debt service which is a 1.6 million dollar expenditure.

**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, 2014, the District's governmental funds reported a combined fund balance of \$4,017,019. This represents an increase of \$781,221. This is an important and significant divergence from the District's recent past. Last year the District's combined fund balance decreased by \$47,247. The General Fund and the Special Revenue Fund, which are the two major operating funds, increased by \$1,398,067; whereby, last year these two funds lost \$159,754. This purposeful reversal of direction has been effective in an overall improvement of the District's ability to focus its resources and attention on teaching and learning as opposed to deciding upon program cuts and an overall inability to implement academic strategies that support improved performance.

Clackamas County School District #108  
 Fiscal Year Ended June 30, 2014

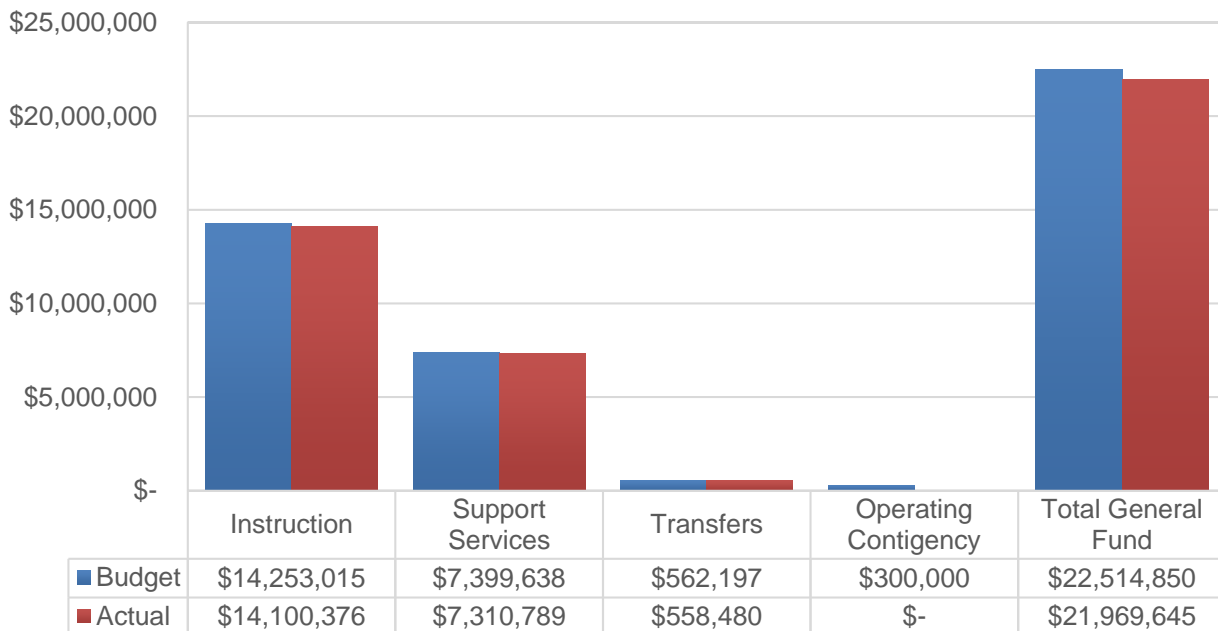
*General Fund.* The general fund is the chief operating fund of the District. As of June 30, 2014, the General Fund ending fund balance was \$2,068,375. This is a significant increase over FY 12/13's Fund balance of \$972,415. As a major indicator of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. For the General Fund, fund balance represents 9.4% of total General Fund expenditures (including transfers). This percentage increased from 4.56% last year. Although the District is still short of the recommended 10-15% level, this is an important step towards achieving that goal. A 10-15% fund balance protects the District from significant, unpredictable swings in either revenue or expenses and preserves its ability to maintain a quality education program. The District should continue its endeavors in reaching and maintaining a fund balance that is within this recommended level.

*Capital Projects Fund.* The Capital Funds Project has a total fund balance at June 30, 2014 of \$796,081. This is a decrease of \$232,670 over last year. Further, the District has incurred an additional \$300,000-\$500,000 in expenses to complete the Three Lynx Demolition Project and the Reroofing project for the High School. The depletion of the Capital Projects Fund should be of great concern to the District as this is a finite fund and does not automatically receive revenue outside of approximately \$60,000 in Construction Excise Tax receipts. If the District intends to provide a safe and comfortable environment for teaching and learning, it should seriously consider diverting whatever funds it can to replenish this fund.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Overall, the District did spend 97.6% of its budgeted General Fund. This is up from 96% last year. This high level of expenditure indicates that the District has not been highly conservative in budgeting expenditures. However, the District did improve its overall position by being very conservative in budgeting its revenues.

Budget to Actual  
 General Fund



**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, 2014 the District had invested \$26,717,260 in Capital Assets including land and net of depreciation, as shown in the following table:

<b>Capital Assets (Net of Depreciation)</b>			
<b>June 30, 2014 and 2013</b>			
	Governmental Activities		Increase (Decrease)
	June 30, 2014	June 30, 2013	
Land	\$ 216,256	\$ 216,256	\$ -
Construction in Progress	-	436,999	(436,999)
Capital Assets Being Depreciated			
Building and improvements	37,325,784	36,895,184	430,600
Vehicles/equipment	3,355,143	3,210,568	144,575
Total Assets Being Depreciated	<u>40,680,927</u>	<u>40,105,752</u>	<u>575,175</u>
Less Accumulated Depreciation for			
Buildings and improvements	(11,305,873)	(10,663,321)	(642,552)
Vehicles/equipment	(2,874,050)	(2,779,057)	(94,993)
Total Accumulated Depreciation	<u>(14,179,923)</u>	<u>(13,442,378)</u>	<u>(737,545)</u>
Total Capital Assets Being Depreciated, net	<u>26,501,004</u>	<u>26,663,374</u>	<u>(162,370)</u>
Total Capital Assets, net	<u>\$ 26,717,260</u>	<u>\$ 27,316,629</u>	<u>\$ (599,369)</u>

During the year, the District’s investment in capital assets decreased by \$599,369. Last year the decrease was \$337,031. Depreciation has well outpaced any additions to the District’s Capital assets and has over the last several years. This should be of concern to the District and deserves some concerted strategies to reverse this decline in our 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, 2014, the District had total long term debt outstanding of \$31,254,224 consisting of General Obligation Bonds (refunded and original), PERS UAL bonds, obligations under capital leases, and QSCB Bonds to finance the District Energy Savings Projects.

During the current fiscal year, the District’s long term debt decreased by \$1,157,374 exclusive of current year obligations, but inclusive of long term debt due within one year.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The current state of Oregon's and the national economy and the District's enrollment remain the most salient factors impacting the District's financial outlook. The State's economic outlook remains positive over the short-term horizon. Although growth is slow, it remains steady. However, the District's enrollment for those attending non-charter schools continues to decline. The District lost a significant number of students over the past three years, and is continuing to lose students. The most recent PSU Enrollment Forecast indicates that although the District will continue to decline for the next several years, it will minimally grow starting in 2019-2020 through 2023-2024. However, it is not projected that the growth will come close to compensating for the losses throughout the last 15 years. Throughout the next 10 years, it is projected that the District will initially lose 76 students and eventually gain 53, leaving a net loss of 23.

PERS costs are a significant factor in the District's budget. Although the courts have not yet decided the legal challenges to the most recent PERS reform, PERS is experiencing much healthier returns and has issued its rates effective for the 2015-2017 biennium. At this point, they are scheduled to decrease which will allow the District more discretionary resources. However, this reduction can easily be mitigated by the State in lowering available State School Fund Dollars and/or implementing mandates that do not come with additional funding.

## **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 6<sup>th</sup> Ave., Estacada, OR 97023.



## **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, 2014**

	<u>Governmental Activities</u>
<b><u>ASSETS:</u></b>	
Cash, cash equivalents and investments	\$ 4,535,938
Cash with trustee	42
Property taxes and other receivables	1,046,456
Prepays	40,872
Inventory	28,063
Prepaid pension expense	7,611,191
Land	216,256
Buildings and equipment, net of accumulated depreciation	<u>26,501,004</u>
<b>TOTAL ASSETS</b>	<b><u>39,979,822</u></b>
<b><u>LIABILITIES:</u></b>	
Accounts payable	324,955
Accrued payroll, taxes and withholdings	948,188
Accrued interest payable	41,476
Long-term debt:	
Net pension obligation	161,044
Other postemployment benefits	534,345
Due within one year	1,488,610
Due in more than one year	<u>29,765,614</u>
<b>TOTAL LIABILITIES</b>	<b><u>33,264,232</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>	
Deferred gain on refunding	<u>392,857</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>392,857</u></b>
<b><u>NET POSITION:</u></b>	
Invested in capital assets, net of related debt	6,775,180
Restricted for debt service	54,519
Unrestricted	<u>(506,966)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 6,322,733</u></b>

See notes to the basic financial statements.

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2014**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs</b>					
Instruction:					
Regular programs	\$ 7,259,006	\$ 692,907	\$ 128,114	\$ -	\$ (6,437,985)
Special programs	9,108,541	-	693,350	-	(8,415,191)
Support services:					
Student services	1,446,234	-	281,719	-	(1,164,515)
Instructional staff services	115,876	-	47,255	-	(68,621)
General administration	358,518	-	-	-	(358,518)
School administration	1,354,802	-	-	-	(1,354,802)
Business services	3,830,947	89,455	700,000	94,521	(2,946,971)
Central activities	804,648	-	86,021	-	(718,627)
Enterprise and community services:					
Food services	607,942	85,250	437,552	-	(85,140)
Community services	21,628	10,690	2,023	-	(8,915)
Interest on long-term debt:	1,609,641	-	-	-	(1,609,641)
<b>Total</b>	<b>\$ 26,517,783</b>	<b>\$ 878,302</b>	<b>\$ 2,376,034</b>	<b>\$ 94,521</b>	<b>(23,168,926)</b>

**GENERAL REVENUES:**

Property taxes levied for general purposes	4,707,876
Property taxes levied for debt service	1,541,342
State school fund - general support	17,020,533
Unrestricted state and local sources	545,669
Earnings on investments	31,832
Miscellaneous	2,500

**Total General Revenues**

23,849,752

**CHANGE IN NET POSITION**

680,826

**NET POSITION** - beginning, restated - see Note 1:

5,641,907

**NET POSITION** - ending

\$ 6,322,733

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, 2014**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
<b>ASSETS:</b>					
Cash, cash equivalents and investments	\$ 3,007,279	\$ 700,924	\$ 35,923	\$ 791,812	\$ 4,535,938
Cash with trustee	-	-	42	-	42
Property taxes and other receivables	509,785	402,828	117,062	16,781	1,046,456
Prepays	40,872	-	-	-	40,872
Inventory	-	28,063	-	-	28,063
<b>TOTAL ASSETS</b>	<b>\$ 3,557,936</b>	<b>\$ 1,131,815</b>	<b>\$ 153,027</b>	<b>\$ 808,593</b>	<b>\$ 5,651,371</b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 277,913	\$ 33,771	\$ 759	\$ 12,512	\$ 324,955
Accrued payroll, taxes and withholdings	948,188	-	-	-	948,188
<b>TOTAL LIABILITIES</b>	<b>1,226,101</b>	<b>33,771</b>	<b>759</b>	<b>12,512</b>	<b>1,273,143</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property taxes	263,460	-	97,749	-	361,209
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>263,460</b>	<b>-</b>	<b>97,749</b>	<b>-</b>	<b>361,209</b>
<b>FUND BALANCES:</b>					
Nonspendable	40,872	28,063	-	-	68,935
Restricted	-	550,209	54,519	796,081	1,400,809
Assigned	700,000	519,772	-	-	1,219,772
Unassigned	1,327,503	-	-	-	1,327,503
<b>TOTAL FUND BALANCES</b>	<b>2,068,375</b>	<b>1,098,044</b>	<b>54,519</b>	<b>796,081</b>	<b>4,017,019</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,557,936</b>	<b>\$ 1,131,815</b>	<b>\$ 153,027</b>	<b>\$ 808,593</b>	<b>\$ 5,651,371</b>

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, 2014**

<b>TOTAL FUND BALANCES</b>		\$ 4,017,019
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Land	\$ 216,256	
Buildings and equipment	40,680,927	
Accumulated depreciation	<u>(14,179,923)</u>	26,717,260
Prepaid pension expense.		7,611,191
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.		361,209
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		(41,476)
Post employment benefits		(161,044)
Other postemployment benefits		(534,345)
Bonds payable		(31,025,000)
Deferred gain		(392,857)
Capital lease obligations		<u>(229,224)</u>
<b>TOTAL NET POSITION</b>		<b><u>\$ 6,322,733</u></b>

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, 2014**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 4,728,424	\$ -	\$ 1,551,170	\$ -	\$ 6,279,594
Charges for services	131,515	771,317	924,639	-	1,827,471
Earnings on investments	17,133	3,340	4,796	6,564	31,833
Miscellaneous	12,568	184,167	69,186	77,669	343,590
Intermediate sources	196,862	36,671	-	-	233,533
State sources	17,964,671	95,096	-	-	18,059,767
Federal sources	14,432	1,342,659	-	20,745	1,377,836
	<u>23,065,605</u>	<u>2,433,250</u>	<u>2,549,791</u>	<u>104,978</u>	<u>28,153,624</u>
Total Revenues					
<b>EXPENDITURES:</b>					
Current:					
Instruction	14,100,376	1,561,659	-	-	15,662,035
Support services	7,310,789	704,555	-	-	8,015,344
Enterprise and community services	-	613,609	-	-	613,609
Facilities acquisition and construction	-	-	-	242,761	242,761
Capital outlay	-	-	-	74,887	74,887
Debt service:					
Principal	-	-	1,290,000	20,000	1,310,000
Interest	-	-	1,643,967	-	1,643,967
	<u>21,411,165</u>	<u>2,879,823</u>	<u>2,933,967</u>	<u>337,648</u>	<u>27,562,603</u>
Total Expenditures					
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,654,440</u>	<u>(446,573)</u>	<u>(384,176)</u>	<u>(232,670)</u>	<u>591,021</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	558,480	-	-	558,480
Transfers out	(558,480)	-	-	-	(558,480)
Proceeds from capital lease	-	190,200	-	-	190,200
	<u>(558,480)</u>	<u>748,680</u>	<u>-</u>	<u>-</u>	<u>190,200</u>
Total Other Financing Sources (Uses)					
<b>NET CHANGES IN FUND BALANCE</b>	1,095,960	302,107	(384,176)	(232,670)	781,221
<b>FUND BALANCES, July 1, 2013</b>	<u>972,415</u>	<u>795,937</u>	<u>438,695</u>	<u>1,028,751</u>	<u>3,235,798</u>
<b>FUND BALANCES, June 30, 2014</b>	<u>\$ 2,068,375</u>	<u>\$ 1,098,044</u>	<u>\$ 54,519</u>	<u>\$ 796,081</u>	<u>\$ 4,017,019</u>

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, 2014**

<b>NET CHANGES IN FUND BALANCES</b>	\$	781,221
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	\$	281,930
Depreciation		<u>(881,298)</u>
		(599,368)
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.		1,310,000
Amortization of prepaid pension expense.		(551,956)
Amortization of deferred gain on refunding.		35,715
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.		1,567
Capital leases are reported as other financing sources in the governmental funds and contribute to the increase in fund balance. In the Statement of Net Position, however, capital leases increase long-term liabilities.		(190,200)
Payments on capital leases and new capital leases are recorded as a change in liabilities on the Statement of Net Position.		37,574
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.		(39,749)
Other postemployment benefits are reported in the Statement of Activities but not reported as an expenditure in the governmental funds.		(73,601)
Revenues that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.		<u>(30,377)</u>
<b>CHANGE IN NET POSITION</b>	\$	<u><u>680,826</u></u>

See notes to the basic financial statements.

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

**GENERAL FUND**

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

**YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 4,526,584	\$ 4,526,584	\$ 4,728,424	\$ 201,840
Charges for services	113,700	113,700	131,515	17,815
Earnings on investments	25,000	25,000	17,133	(7,867)
Miscellaneous	8,000	8,000	12,568	4,568
Intermediate sources	116,353	116,353	196,862	80,509
State sources	16,841,286	17,341,286	17,964,671	623,385
Federal sources	-	-	14,432	14,432
<b>Total Revenues</b>	<b>21,630,923</b>	<b>22,130,923</b>	<b>23,065,605</b>	<b>934,682</b>
<b>EXPENDITURES:</b>				
Instruction *	13,753,015	14,253,015	14,100,376	152,639
Support services *	7,399,638	7,399,638	7,310,789	88,849
Contingency *	300,000	300,000	-	300,000
<b>Total Expenditures</b>	<b>21,452,653</b>	<b>21,952,653</b>	<b>21,411,165</b>	<b>541,488</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>178,270</b>	<b>178,270</b>	<b>1,654,440</b>	<b>1,476,170</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out *	(562,197)	(562,197)	(558,480)	3,717
<b>Total Other Financing Sources (Uses)</b>	<b>(562,197)</b>	<b>(562,197)</b>	<b>(558,480)</b>	<b>3,717</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(383,927)</b>	<b>(383,927)</b>	<b>1,095,960</b>	<b>1,479,887</b>
<b>FUND BALANCE, July 1, 2013</b>	<b>383,927</b>	<b>383,927</b>	<b>972,415</b>	<b>588,488</b>
<b>FUND BALANCE, June 30, 2014</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,068,375</b>	<b>\$ 2,068,375</b>

\* Legally adopted appropriation level.

See notes to the basic financial statements.

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

**SPECIAL REVENUE FUND**

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

**YEAR ENDED JUNE 30, 2014**

	Budget		Actuals	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Local sources:				
Charges for services	\$ 1,196,157	\$ 1,196,157	\$ 771,317	\$ (424,840)
Earnings on investments	5,700	5,700	3,340	(2,360)
Other	300,701	300,701	184,167	(116,534)
Intermediate sources	383,600	387,600	36,671	(350,929)
State sources	447,131	447,131	95,096	(352,035)
Federal sources	1,706,073	1,702,073	1,342,659	(359,414)
Total Revenues	<u>4,039,362</u>	<u>4,039,362</u>	<u>2,433,250</u>	<u>(1,606,112)</u>
<b>EXPENDITURES:</b>				
Instruction *	2,923,667	2,923,667	1,561,659	1,362,008
Support services *	1,090,350	1,090,350	704,555	385,795
Enterprise and community services *	914,442	914,442	613,609	300,833
Contingency *	70,000	70,000	-	70,000
Total Expenditures	<u>4,998,459</u>	<u>4,998,459</u>	<u>2,879,823</u>	<u>2,118,636</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(959,097)</u>	<u>(959,097)</u>	<u>(446,573)</u>	<u>512,524</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	562,197	562,197	558,480	(3,717)
Proceeds from obligations under capital lease	-	-	190,200	190,200
Total Other Financing Sources (Uses)	<u>562,197</u>	<u>562,197</u>	<u>748,680</u>	<u>186,483</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(396,900)</u>	<u>(396,900)</u>	<u>302,107</u>	<u>699,007</u>
<b>FUND BALANCE, July 1, 2013</b>	<u>396,900</u>	<u>396,900</u>	<u>795,937</u>	<u>399,037</u>
<b>FUND BALANCE, June 30, 2014</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,098,044</u>	<u>\$ 1,098,044</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, 2014**

**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, 2014**

**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. OSTF 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, 2014**

**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 unavailable 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.

**Prepaid Pension Expense**

Prepaid pension expense is amortized and charged to expense over twenty-three years on the straight-line method.

**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, 2014**

**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**

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (OPERS). Contributions to OPERS are made on a current basis as required by the plan and are charged as expense/expenditures.

The District 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.

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, 2014**

**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 does not report any deferred outflows of resources in either the statement of net position or balance sheet.

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 that time.

The District has one item, which arises under the full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the deferred gain on refunding is only reported in the statement of net position. The gain is deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Additionally, the District has an item, which arises under the modified accrual basis of accounting that also qualifies for reporting in this category. This item, unavailable revenue from property taxes, is only reported on the governmental funds balance sheet in the General and Special Revenue Funds. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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, 2014**

**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, 2014, the District's cash, cash equivalents and investments is comprised of the following:

Cash on hand	\$ 3,214
Deposits with financial institutions:	
Demand deposits, non-interest bearing	1,380,232
State of Oregon Treasurer's	
Local Government Investment Pool	<u>3,152,492</u>
	<u>\$ 4,535,938</u>

**Deposits with Financial Institutions**

Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance is \$1,662,778. 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, 2014**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS (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, 2014. 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, 2014, the District does not have investments exposed to custodial credit risk.

**3. RECEIVABLES**

Receivables at June 30, 2014 are comprised of the following:

Property Taxes	\$ 398,309
Undistributed Tax Collections	38,493
Grants	248,830
Other	<u>360,824</u>
	<u>\$ 1,046,456</u>

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2014**

**4. CAPITAL ASSETS**

Capital assets activity for the year was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 216,256	\$ -	\$ -	\$ 216,256
Construction in Progress	436,999		(436,999)	-
Total capital assets not being depreciated	<u>653,255</u>	<u>-</u>	<u>(436,999)</u>	<u>216,256</u>
Capital Assets being depreciated:				
Buildings and improvements	36,895,184	528,728	(98,128)	37,325,784
Vehicles and equipment	3,210,568	190,200	(45,625)	3,355,143
Total capital assets being depreciated	<u>40,105,752</u>	<u>718,928</u>	<u>(143,753)</u>	<u>40,680,927</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,663,321)	(740,680)	98,128	(11,305,873)
Vehicles and equipment	(2,779,057)	(140,618)	45,625	(2,874,050)
Total accumulated depreciation	<u>(13,442,378)</u>	<u>(881,298)</u>	<u>143,753</u>	<u>(14,179,923)</u>
Total capital assets being depreciated, net	<u>26,663,374</u>	<u>(162,370)</u>	<u>-</u>	<u>26,501,004</u>
Total capital assets, net	<u>\$ 27,316,629</u>	<u>\$ (162,370)</u>	<u>\$ (436,999)</u>	<u>\$ 26,717,260</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		\$ 255,344
Special programs		315,118
Support Services:		
Student services		51,211
Instructional staff services		4,115
General administration		12,722
School administration		47,687
Business services		135,673
Central activities		28,012
Enterprise and community services:		
Food services		21,494
Community services		764
Facilities acquisition		9,158
Total		<u>\$ 881,298</u>

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2014**

**5. LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2014 are as follows:

	<u>Outstanding July 1, 2013</u>	<u>Issued</u>	<u>Redeemed and Matured</u>	<u>Outstanding June 30, 2014</u>
Obligations under capital leases	\$ 76,598	\$ 190,200	\$ 37,574	\$ 229,224
2005 general obligation refunding bonds; original issue \$21,300,000; interest from 3.00% to 5.50%	19,435,000	-	940,000	18,495,000
2005 pension bonds; original issue \$12,695,000; interest from 4.052% to 4.759%	11,990,000	-	285,000	11,705,000
2011 QBSCB Bonds original issue \$1,100,000; interest 5.050%	910,000	-	85,000	825,000
	<u>32,411,598</u>	<u>190,200</u>	<u>1,347,574</u>	<u>31,254,224</u>
Less: current portion	<u>(1,327,574)</u>			<u>(1,488,610)</u>
	<u>\$ 31,084,024</u>			<u>\$ 29,765,614</u>

Annual debt service requirements to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Obligations Under Capital Leases</u>	<u>General Obligation Bonds</u>	<u>Pension Bonds</u>	<u>QSCB Bonds</u>	<u>Total</u>	<u>Bond Interest</u>
2015	\$ 78,610	\$ 1,000,000	\$ 345,000	\$ 65,000	\$ 1,488,610	\$ 1,589,982
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	39,023	1,475,000	625,000	65,000	2,204,023	1,254,999
2020-2024		9,860,000	4,535,000	325,000	14,720,000	4,341,918
2025-2028		2,535,000	4,770,000	175,000	7,480,000	685,054
	<u>\$ 229,224</u>	<u>\$ 18,495,000</u>	<u>\$ 11,705,000</u>	<u>\$ 825,000</u>	<u>\$ 31,254,224</u>	<u>\$ 12,190,069</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 \$558,480 of resources to the Special Revenue Fund for matching as required by grant awards.



**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2014**

**7. RETIREMENT PLANS**

Plan Description - The District contributes to two pension plans administered by the State of Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: the Pension Program, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the members' IAP, not the members PERS account.

Both Oregon PERS plans provide retirement and disability benefits, postemployment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238 which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report which may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling 1-888-320-7377, or by accessing their website at: [http://www.oregon.gov/PERS/section/financial\\_reports/financials.shtml](http://www.oregon.gov/PERS/section/financial_reports/financials.shtml).

Funding Policy and Annual Pension Cost – Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The District is required to contribute at an actuarially determined rate for the qualifying employees under the OPSRP plan. The OPERF and OPSRP rates in effect for the year ending June 30, 2014, were 13.82% and 11.82%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. OPERF and OPSRP rates for the 2015-2017 biennium have been adjusted to 9.62% and 4.93% respectively.

Employer and employee contributions for 2014 were approximately \$1,643,324 for OPERF and OPSRP. Total contributions for 2013 and 2012 were approximately \$1,655,947 and \$1,566,271 respectively, which is equal to the required annual contributions.

**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.

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2014**

**7. RETIREMENT PLANS (Continued)**

**Early Retirement Plan (Continued)**

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.
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.

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2014**

**7. RETIREMENT PLANS (Continued)**

**Early Retirement Plan (Continued)**

Annual Pension Cost and Net Pension Obligation -The District's annual pension cost and actuarial net pension obligation for the year ended June 30, 2014, 2013, and 2012 are summarized as follows:

	Year Ended June 30,		
	2014	2013	2012
Annual required contribution	\$ 128,320	\$ 125,803	151,388
Interest on net pension obligation	4,548	3,601	2,183
Adjustments	(16,087)	(12,735)	-
Annual pension cost	116,781	116,669	153,571
Contributions made	(77,032)	(91,394)	(115,754)
Increase in net pension obligation	39,749	25,275	37,817
Net pension obligation - beginning of year	121,295	96,020	58,203
Net pension obligation - end of year	\$ 161,044	\$ 121,295	96,020

The annual required contribution (ARC) for the year ended June 30, 2014 was determined as part of a July 1, 2012 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.

**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.

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2014**

**8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Postemployment Health Insurance Subsidy (Continued)**

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, 2014, 2013, and 2012.

	Year Ended June 30,		
	2014	2013	2012
Annual required contribution	\$ 110,346	\$ 108,182	\$ 138,343
Interest on net OPEB obligation	17,278	14,265	10,697
Adjustments to annual required contribution	(19,441)	(16,052)	(12,037)
Annual OPEB cost	108,183	106,395	137,003
Contributions made	(34,582)	(26,074)	(41,846)
Increase in net OPEB obligation	73,601	80,321	95,157
Net OPEB obligation - beginning of year	460,744	380,423	285,266
Net OPEB obligation - end of year	<u>\$ 534,345</u>	<u>\$ 460,744</u>	<u>\$ 380,423</u>

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

Fiscal Year	Annual OPEB Cost	Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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

Funding Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, for the period ending July 1, 2012 through June 30, 2014; the District’s actuarial accrued liability (AAL) for benefits was \$879,978, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$879,978. 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.

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2014**

**8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Retirement Health Insurance Account**

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

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, 2014, 2013 and 2012 were approximately \$51,540, \$60,659, and \$54,400 respectively, which equaled the required contributions each year.

**9. RISK MANAGEMENT**

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

**10. COMMITMENTS AND CONTINGENCIES**

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

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2014**

**10. COMMITMENTS AND CONTINGENCIES (Continued)**

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

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

**11. FUND BALANCES**

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	June 30, 2014
<b>Nonspendable:</b>					
Inventory	\$ -	\$ 28,063	\$ -	\$ -	\$ 28,063
Prepaid items	40,872	-	-	-	40,872
<b>Restricted for:</b>					
Capital projects	-	-	-	796,081	796,081
College Scholarships	-	64,492	-	-	64,492
Debt Service	-	-	54,519	-	54,519
Federal, State and private grants	-	11,932	-	-	11,932
High School Building	-	49,310	-	-	49,310
High School Inheritance	-	36,916	-	-	36,916
Student Activities	-	329,728	-	-	329,728
Technology	-	57,831	-	-	57,831
<b>Assigned to:</b>					
Appropriated ending fund balance	700,000	-	-	-	700,000
Athletics	-	-	-	-	-
Community Schools	-	51,744	-	-	51,744
Curriculum & Instruction	-	275,000	-	-	275,000
Estacada Alternative School	-	34,720	-	-	34,720
Insurance reserve	-	89,251	-	-	89,251
Transportation Bus Replacement	-	69,057	-	-	69,057
<b>Unassigned</b>	1,327,503	-	-	-	1,327,503
	<u>\$ 2,068,375</u>	<u>\$ 1,098,044</u>	<u>\$ 54,519</u>	<u>\$ 796,081</u>	<u>\$ 4,017,019</u>

**12. ADOPTION OF GASB STATEMENT NO. 65**

During the year, the District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**

Estacada, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2014**

**12. ADOPTION OF GASB STATEMENT NO. 65 (Continued)**

The implementation of GASB Statement 65 resulted in the reclassification of the beginning net position of the governmental activities in the government-wide financial statements. The bond issuance costs were reclassified as expenses of prior periods and resulted in the adjustment below:

Net position at June 30, 2013	\$ 5,908,511
Change in reporting for bond issuance costs	<u>(266,604)</u>
Net position at June 30, 2013, restated	<u><u>\$ 5,641,907</u></u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**

Estacada, Oregon

**SUPPLMENTAL INFORMATION**

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

**YEAR ENDED JUNE 30, 2014**

**IMPLICIT MEDICAL BENEFIT**

<u>Valuation Date</u>	<u>Actuarial Values of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2008	\$ -	\$ 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%

**STIPEND BENEFIT**

<u>Valuation Date</u>	<u>Actuarial Values of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2008	\$ -	\$ 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%

**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, 2014**

	Budget		Actuals	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Local sources:				
Taxes - current year's levy	\$ 1,508,945	\$ 1,508,945	\$ 1,490,045	\$ (18,900)
Taxes - prior years' levies	50,000	50,000	61,125	11,125
Earnings on investments	1,350	1,350	4,796	3,446
Services provided to other funds	896,216	896,216	924,639	28,423
Miscellaneous	64,880	64,880	69,186	4,306
Total Revenues	<u>2,521,391</u>	<u>2,521,391</u>	<u>2,549,791</u>	<u>28,400</u>
<b>EXPENDITURES:</b>				
Debt service *:				
Principal	1,290,000	1,290,000	1,290,000	-
Interest	1,644,471	1,644,471	1,643,967	504
Total Expenditures	<u>2,934,471</u>	<u>2,934,471</u>	<u>2,933,967</u>	<u>504</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	(413,080)	(413,080)	(384,176)	28,904
<b>FUND BALANCE, July 1, 2013</b>	<u>413,080</u>	<u>413,080</u>	<u>438,695</u>	<u>25,615</u>
<b>FUND BALANCE, June 30, 2014</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,519</u>	<u>\$ 54,519</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, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Local sources:				
Earnings on investments	\$ 15,500	\$ 15,500	\$ 6,564	\$ (8,936)
Contributions and donations	65,000	65,000	77,669	12,669
Intermediate sources	30,000	30,000	-	(30,000)
State sources	-	-	-	-
Federal sources	100,000	100,000	20,745	(79,255)
<b>Total Revenues</b>	<b>210,500</b>	<b>210,500</b>	<b>104,978</b>	<b>(105,522)</b>
<b>EXPENDITURES:</b>				
Facilities acquisition, construction and improvement services *:				
Purchased services	60,000	60,000	236,223	(176,223)
Supplies and materials	648,500	648,500	6,538	641,962
Capital outlay	264,688	264,688	74,887	189,801
<b>Total Facilities Acquisition, Construction and Improvement Services</b>	<b>973,188</b>	<b>973,188</b>	<b>317,648</b>	<b>655,540</b>
Debt services *:				
Principal	-	-	20,000 <sup>(1)</sup>	(20,000)
<b>Total Expenditures</b>	<b>973,188</b>	<b>973,188</b>	<b>337,648</b>	<b>635,540</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	<b>(762,688)</b>	<b>(762,688)</b>	<b>(232,670)</b>	<b>530,018</b>
<b>FUND BALANCE, July 1, 2013</b>	<b>762,688</b>	<b>762,688</b>	<b>1,028,751</b>	<b>266,063</b>
<b>FUND BALANCE, June 30, 2014</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 796,081</b>	<b>\$ 796,081</b>

\* Legally adopted appropriation level.

<sup>(1)</sup> Not a budget violation under ORS 298.338(5)(d)(A).

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

**SCHEDULE OF PROPERTY TAX TRANSACTIONS**

**YEAR ENDED JUNE 30, 2014**

	Tax Year	Uncollected July 1, 2013	Levy as Extended by Assessor	Discounts Allowed	Interest	Adjustments	Collections	Uncollected June 30, 2014
<b>GENERAL FUND:</b>								
Current		\$ -	\$ 4,815,712	\$ (122,269)	\$ 2,376	\$ (7,893)	\$ 4,566,889	\$ 121,037
Prior	2012-13	136,779	-	73	6,217	(1,628)	73,681	67,760
	2011-12	78,347	-	24	6,850	(1,222)	36,221	47,778
	2010-11	49,414	-	5	7,749	(340)	29,719	27,109
	2009-10	27,890	-	1	3,484	(530)	11,497	19,348
	2008-09	4,994	-	4	597	(701)	1,510	3,384
	and prior	6,709	-	-	(243)	(714)	761	4,991
Total Prior		304,133	-	107	24,654	(5,135)	153,389	170,370
Total General Fund		304,133	4,815,712	(122,162)	27,030	(13,028)	4,720,278	291,407
<b>DEBT SERVICE FUND:</b>								
Current		-	1,578,156	(40,069)	779	(2,587)	1,496,615	39,664
Prior	2012-13	55,159	-	28	2,371	(3,626)	28,094	25,838
	2011-12	31,595	-	10	2,762	(493)	14,607	19,267
	2010-11	20,735	-	2	3,252	(145)	12,470	11,374
	2009-10	11,316	-	-	1,414	(214)	4,665	7,851
	2008-09	1,968	-	1	235	(277)	595	1,332
	and prior	2,205	-	-	334	(269)	694	1,576
Total Prior		122,978	-	41	10,368	(5,024)	61,125	67,238
Total Debt Service Fund		122,978	1,578,156	(40,028)	11,147	(7,611)	1,557,740	106,902
<b>TOTAL ALL FUNDS</b>		<b>\$ 427,111</b>	<b>\$ 6,393,868</b>	<b>\$ (162,190)</b>	<b>\$ 38,177</b>	<b>\$ (20,639)</b>	<b>\$ 6,278,018</b>	<b>\$ 398,309</b>

SUPPLEMENTAL INFORMATION, 2013-14

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	\$ 195,488
Function 2550	\$ 667

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

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

Exclude these functions:

1113, 1122 & 1132  
 1140  
 1300  
 1400

Co-curricular Activities  
 Pre-Kindergarten  
 Continuing Education  
 Summer School

Exclude these functions:

4150 Construction  
 2550 Pupil Transportation  
 3100 Food Service  
 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, 2014, 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 9, 2014.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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



### **Purpose of this Report**

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

*Wilcox Arredondo & Co.*

Certified Public Accountants  
Canby, Oregon  
December 9, 2014



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, 2014. 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, 2014.



## 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the 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, material weaknesses may exist that have not been identified.

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

*Wilcox Arredondo & Co.*

Certified Public Accountants  
Canby, Oregon  
December 9, 2014

**CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108**  
Estacada, Oregon

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2014**

	<u>Grant Period</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Grant Amount</u>	<u>Expenditures</u>
<b>U.S. Department of Education</b>					
<b>Passed through Oregon State Department of Education</b>					
<b>Title I, Part A Cluster</b>					
Title I ESEA	2012-2013	84.010	25242	\$ 253,527	\$ 13,114
	2013-2014	84.010	28122	271,293	261,906
<b>Total Title I, Part A Cluster</b>				<b>524,820</b>	<b>275,020</b>
<b>Special Education Cluster</b>					
IDEA Part B	2012-2013	84.027	26670	454,909	17,074
	2013-2014	84.027	28431	423,666	418,050
IDEA Enhancement Formula	2013-2014	84.027	29763	5,305	-
IDEA Extended Assessment	2013-2014	84.027	27634	900	-
SPR & I Grant	2013-2014	84.027	27855	2,920	-
				<b>887,700</b>	<b>435,124</b>
IDEA Part B, 619	2012-2013	84.173	26253	3,560	1,630
	2013-2014	84.173	28840	1,038	-
<b>Total Special Education Cluster</b>				<b>892,298</b>	<b>436,754</b>
SODG EBISS Breadth	2013-2014	84.323	26831	3,000	621
Title III Language Instruction	2012-2013	84.365	25119	34,613	15,543
	2013-2014	84.365	30004	29,359	29,202
				<b>63,972</b>	<b>44,745</b>
Title IIA Improving Teacher Quality	2012-2013	84.367	25467	75,873	8,724
	2013-2014	84.367	28637	77,000	66,657
				<b>152,873</b>	<b>75,381</b>
Kindergarten Readiness Assessment	2013-2014	93.708	27461	1,500	1,438
<b>Total Passed through Oregon State Department of Education</b>				<b>1,638,463</b>	<b>833,959</b>
<b>Passed through Clackamas Education Service District</b>					
Title 1C Migrant Education	2012-2013	84.011	N/A	1,836	192
	2013-2014	84.011	N/A	5,193	2,577
				<b>7,029</b>	<b>2,769</b>
Career Technical Education	2012-2013	84.048	N/A	15,688	15,406
<b>Total Passed through Clackamas Education Service District</b>				<b>22,717</b>	<b>18,175</b>
<b>Passed through Oregon Department of Human Services</b>					
Vocational Rehabilitation Grants To States	2013-2014	84.126A	N/A	80,001	48,080
<b>Total U.S. Department of Education</b>				<b>1,741,181</b>	<b>900,214</b>
<b>U.S. Department of Agriculture</b>					
<b>Passed through Oregon State Department of Education</b>					
<b>Child Nutrition Cluster</b>					
National School Breakfast	2013-2014	10.553	N/A	61,102	76,174
Commodities	2013-2014	10.555	N/A	27,158	27,158
Commodities - Summer	2013-2014	10.559	N/A	147	147
National School Lunch	2013-2014	10.555	N/A	242,563	291,802
National School Lunch - Snack Reimbursement	2013-2014	10.555	N/A	3,659	3,659
Summer Food - Food	2013-2014	10.559	N/A	23,629	30,305
<b>Total Child Nutrition Cluster</b>				<b>358,258</b>	<b>429,245</b>
<b>Total U.S. Department of Agriculture</b>				<b>358,258</b>	<b>429,245</b>
<b>U.S. Department of Health and Human Services</b>					
Affordable Care Act Grants for School-Based Health Centers Capital Program	2011-2013	93.501	C12CS23439	392,104	20,745
<b>Total US Department of Health and Human Services</b>				<b>392,104</b>	<b>20,745</b>
<b>U.S. Department of Labor, Employment &amp; Training Administration</b>					
<b>Passed through Clackamas Education Service District</b>					
WIA Youth Services	2012-2013	17.259	N/A	13,200	13,200
<b>Total U.S. Department of Labor, Employment &amp; Training Administration</b>				<b>13,200</b>	<b>13,200</b>
<b>Federal Grants</b>					
<b>Passed through Clackamas County</b>					
Federal Forest Fees	2012-2013	10.665	N/A	14,432	14,432
<b>Total Federal Grants</b>				<b>14,432</b>	<b>14,432</b>
<b>Total Federal Financial Assistance</b>				<b>\$ 2,519,175</b>	<b>\$ 1,377,836</b>

**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, 2014**

**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

84.027, 84.173

Special Education Cluster

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, 2014**

**SECTION II - FINANCIAL STATEMENT FINDINGS - NONE**

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS - NONE**

**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, 2014, and have issued our report thereon dated December 9, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

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

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

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

**OAR 162-10-0230 Internal Control**

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



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

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

#### **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 9, 2014