

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

Financial Statements and
Supplementary Information

Year Ended June 30, 2013

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

OFFICIALS OF THE DISTRICT

June 30, 2013

BOARD OF DIRECTORS

<u>Name</u>	<u>Term Expires</u>
Mark Greene, Chair 27770 SE Currin Road Estacada, OR 97023	June 30, 2013
Sonja McCarty 263 NW Wade Street Estacada, OR 97023	June 30, 2013
Rick Mudrow P.O. Box 1833 Estacada, OR 97023	June 30, 2013
Timothy Schultz 20600 Norse Road Estacada, OR 97022	June 30, 2013
Steve Woods 36750 SE Kemp Road Estacada, OR 97023	June 30, 2013
Leslie André 20576 S Springwater Road Estacada, OR 97023	June 30, 2015
Ralph Branson 931 Edgehill Drive 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, 2013, 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, 2013, 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.

- 1 -

WILCOX ARREDONDO & CO.
Certified Public Accountants | Business Consultants



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.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013, 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.



In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 9, 2013, 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, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

The 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, 2013. 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.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets of the District exceeded its liabilities at June 30, 2013 by \$5,908,511 which is slightly more than last year's amount of \$5,816,158. Albeit this is only an increase of \$92,353 it does reverse the four-year trend of a loss in Net Position. Of that amount \$6,733,063 represents the District's investment in capital assets, \$438,695 is restricted for debt service, leaving a deficit of \$1,263,247 unrestricted. This number represents an increase in this deficit of \$623,377 over FY 11/12, which continues to be a point of concern regarding the overall health of the District. Continued vigilance in managing both the District's assets and liabilities is necessary as it would behoove the District to reverse this trend.
- The District's total net position increased by \$92,353. This is minimal when taken into account that over the past four years the District has experienced a loss of over 2.5 million. 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 year's reversal of that trend is important to continue into future years.
- 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. Even though the amount received over the amount spent was only \$92,353 when taken into account that last year the District spent \$672,249 more than it received, the combined shift is over \$750,000. 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.
- The District's governmental funds reported a combined ending fund balance of \$3,235,798, which represents a decrease over last year of \$47,247. Although still a decrease, it is drastically less than last year's overall decrease of \$939,016. Although the Special Revenue and Debt Service Fund both increased, the General Fund lost \$350,765. Last year the General fund lost \$671,141; therefore, over a two-year period, the General Fund's fund balance decreased by over one million dollars. The Capital Projects Fund decreased by \$38,490. The District made significant efforts throughout FY 12/13 and in developing the FY13/14 budget to reverse the erosion of both the Capital Projects Fund and the General Fund reserves. It is the District's goal to start replenishing the General Fund Balance to a fiscally sound level over the next three years.
- Of that \$3,235,798 total ending fund balance, \$2,691,672, is either nonspendable, restricted or assigned, leaving \$544,126 undesignated. Last year the undesignated fund balance was (\$365,171), which was not sustainable, and the District did take effective corrective action.
- Unfortunately, part of that action was at the expense of the fund balance in the General Fund, which ended at \$972,415. This represents 4.56% of total General Fund Expenditures, down from 6.22% in FY 11/12. This represents a four-year trend of a declining beginning fund balance as measured against General Fund Expenditures. The District is now significantly below the suggested range of 10 – 15%.
- The District's total debt decreased by \$1,363,287 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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

FINANCIAL HIGHLIGHTS (Continued)

- The District had \$26,313,984 in expenses related to government activities, which includes depreciation expenses. Of the \$26,313,984 in expenses, \$684,778 were offset by program-specific charges for services provided within the District, \$2,721,857 were offset by Operating Grants and Contributions, and \$432,685 were offset by Capital Grants and Contributions. The total offsets from program specific revenue and grants were \$3,839,320. This was slightly up from last years' offsets of \$3,748,890. However, expenses were also up from last year's \$26,178,385.

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 position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position 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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Activities.

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes to the basic financial statements can be found on pages 32 through 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net position may serve, over time, as a useful indicator of a government's financial position. The District's assets exceed liabilities by \$5,908,511 at June 30, 2013. Last year, assets exceeded liabilities by \$5,816,158. This represents an increase of \$92,353. Again, although this is a positive trend and a reversal of the District's decline over the past four years, it is important for the District to continue to make a concerted effort to restore a consistent positive trend in net position and fund balances.

Capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent approximately 66% of total assets, which is the same as it was for FY 11/12. 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 20% of the District's current assets. These percentages are similar to FY 11/12.

The District's largest liability (95%) is for the repayment of general obligation bonds, obligations under capital leases and the repayment of the PERS UAL bond (excluding debt due within one year). Current liabilities, about 5% of the District's total liabilities, consist mainly of payables on accounts, accrued payroll, taxes and withholdings, and post-employment benefits, and long term debt due within one year.

Although the District's net position improved over last year by \$92,353, it is some concern that the deficit in unrestricted net position almost doubled. The unrestricted deficit in FY 11/12 was (\$639,870) while this year it is (\$1,263,247). Given that the vast majority of the District's Debt is tied up in long term obligations, the primary way to improve this position is to rebuild a healthier fund balance and not to take on any additional long-term debt. The District uses these capital assets to provide services to students and other District residents; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
 Estacada, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**Net Position at Fiscal Year-End
 June 30, 2013 and 2012**

	Governmental Activities		Increase (Decrease)
	June 30, 2013	June 30, 2012	
Current and other assets	\$ 13,297,729	\$ 13,987,104	\$ (689,375)
Capital assets	27,316,629	27,653,660	(337,031)
Total Assets	<u>40,614,358</u>	<u>41,640,764</u>	<u>(1,026,406)</u>
Current liabilities	2,611,212	2,948,720	(337,508)
Long-term debt	32,094,635	32,875,883	(781,248)
Total Liabilities	<u>34,705,847</u>	<u>35,824,603</u>	<u>(1,118,756)</u>
Net Position:			
Invested in capital assets, net of related debt	6,733,063	6,168,330	564,733
Restricted for debt service	438,695	287,698	150,997
Unrestricted	<u>(1,263,247)</u>	<u>(639,870)</u>	<u>(623,377)</u>
Total Net Position	<u>\$ 5,908,511</u>	<u>\$ 5,816,158</u>	<u>\$ 92,353</u>

During the current fiscal year, the District's net position increased by \$92,353. This is an important and positive reversal over the past four years of a declining net position. The actions taken last year were important 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 and accelerate this positive trend.

Governmental activities. The key elements of the change in the District's net position for the year ended June 30, 2013 are as follows:

- Total Revenue increased by \$904,201 and Total Expenses increased by \$135,599. In FY 12/13, the District's governmental activities revenue exceeded expenses by \$92,353. Last year, Total Expenses exceeded Total Revenue by \$676,249. This reversal is important as it indicates that the District is now moving in a positive rather than negative direction. If continued, the District's ability to provide adequate service levels to its students becomes much more secure. Although the General Fund Balance reached an all time low in FY 12/13, this change in Net Position gives some indication that the District is putting itself in a position to recover and improve upon its overall financial position.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**Changes in Net Position
For the Year Ended June 30, 2013 and 2012**

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	
Revenues:			
Program Revenues:			
Charges for services	\$ 684,778	\$ 878,718	\$ (193,940)
Operating grants and contributions	2,721,857	2,484,059	237,798
Capital grants & contributions	432,685	386,113	46,572
General Revenues:			
Property taxes levied for general purpose	4,513,888	4,557,033	(43,145)
Property taxes levied for debt service	1,817,442	1,837,792	(20,350)
State school fund - general fund	15,572,232	14,783,392	788,840
Unrestricted state and local sources	528,899	454,960	73,939
Earnings on investments	28,036	30,245	(2,209)
Miscellaneous	106,520	89,824	16,696
Total Revenues	<u>26,406,337</u>	<u>25,502,136</u>	<u>904,201</u>
Expenses:			
Instruction			
Regular programs	7,004,019	7,514,727	(510,708)
Special programs	9,205,912	8,367,151	838,761
Support Services			
Student services	1,344,568	1,291,070	53,498
Instructional staff services	305,514	382,027	(76,513)
General administration	329,351	317,705	11,646
School administration	1,254,444	1,232,768	21,676
Business services	3,785,418	3,825,851	(40,433)
Central activities	796,767	789,432	7,335
Enterprises and Community Services			
Food services	551,188	694,686	(143,498)
Community services	56,863	42,140	14,723
Interest on Long-term debt	1,679,940	1,720,828	(40,888)
Total Expenses	<u>26,313,984</u>	<u>26,178,385</u>	<u>135,599</u>
Change in net position	92,353	(676,249)	768,602
Net position - beginning	<u>5,816,158</u>	<u>6,492,407</u>	<u>(676,249)</u>
Net position - end	<u>\$ 5,908,511</u>	<u>\$ 5,816,158</u>	<u>\$ 92,353</u>

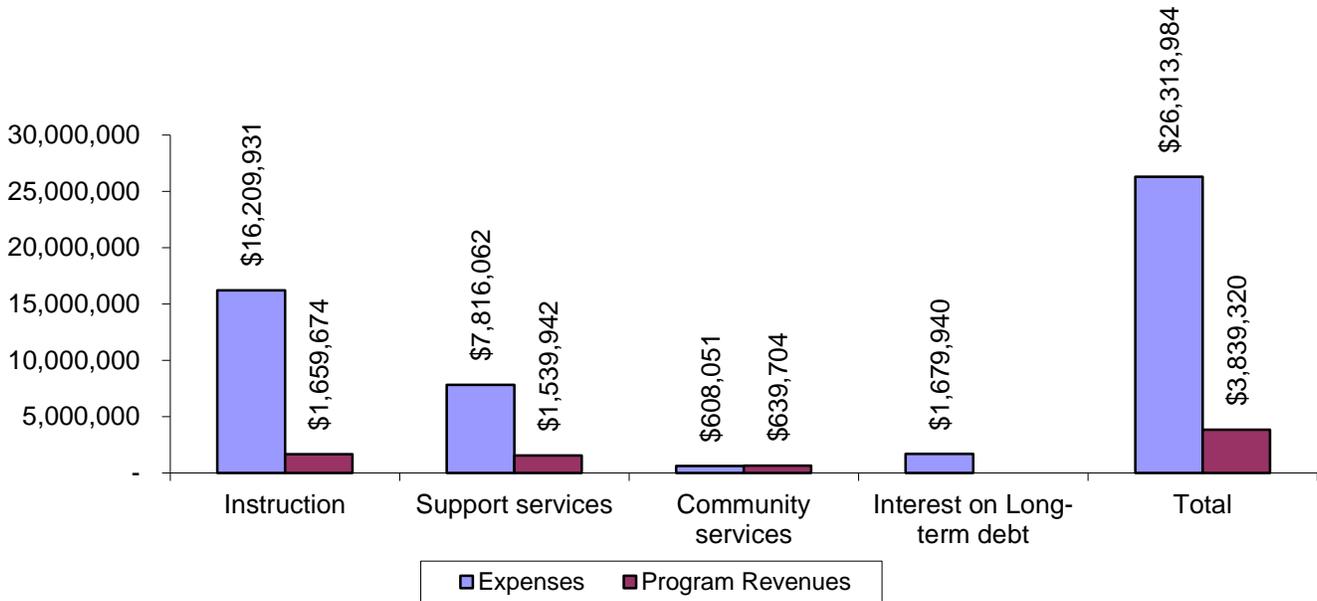
CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

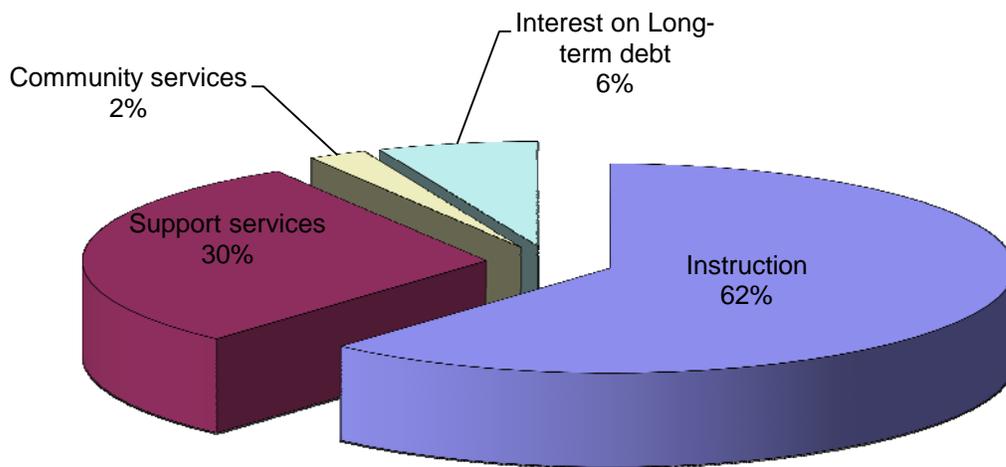
YEAR ENDED JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**Expense and Program Revenue - Governmental Activities
For the Year Ended June 30, 2013**



**Expenses by Function - Governmental Activities
For the Year Ended June 30, 2013**



It is important to note on the Expenses by Function, that the District is spending a larger percentage of its resources on Instruction. Last Year, 60% of District expenses were categorized as Instruction whereby this year that percentage is 62%.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

At June 30, 2013, the District's governmental funds reported a combined fund balance of \$3,235,798. This represents a decrease of \$47,247. Last year the District's combined fund balance decreased by \$939,016. The General Fund and the Special Revenue Fund, which are the two major operating funds, decreased by \$159,754; whereby, last year these two funds lost \$656,485. These statistics, while not stellar in and of themselves, further support the notion that the District is improving its financial position and beginning to regain a healthy financial position.

General Fund. The general fund is the chief operating fund of the District. As of June 30, 2013, the General Fund ending fund balance was \$972,415. This is a decrease from FY 11/12 by \$350,765. Last year the decrease was \$671,141. 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 4.56% of total General Fund expenditures (including transfers). This percentage decreased from 6.22% last year and should always stay between 10-15% to protect itself from significant unpredictable swings in either revenue or expenditures. The District is now significantly below this floor leaving it very vulnerable to any swing in resources or expenditures. The District should strive to build up its fund balance to at least achieve a percentage of 10%.

Capital Projects Fund. The Capital Funds Project has a total fund balance at June 30, 2013 of \$1,028,751. This is a decrease of \$38,490 over last year. Due to increased State School Fund Support in late May, the District was able to maintain the Fund Balance in the Capital Fund. These funds will be needed as we close in on a major capital expense in deconstructing the District's Three Lynx facilities. Since the Forest Service has determined that the buildings must be taken down, the District will be using its Capital Project Fund. Opportunities for outside funding are minimal, and the cost is likely to be high given the asbestos abatement and the removal of underground storage tanks requirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, the District did spend 96% of its budgeted General Fund. This is up from 94% last year. The District did make some midyear adjustments; however the impact was not significant enough to reverse this spending trend. If these had not been made, the District would have suffered a much greater loss in fund balance and net position.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

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, 2013 the District had invested over \$27,316,629 in Capital Assets including land and net of depreciation, as shown in the table on the following page.

During the year, the District's investment in capital assets decreased by \$337,031. Last year the decrease was \$144,621. Depreciation has now outpaced the additions to the District's Capital assets including the Bio Mass Boiler and the Health Care Facility.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Net of Depreciation)			
June 30, 2013 and 2012			
	<u>Governmental Activities</u>		Increase (Decrease)
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	
Land	\$ 216,256	\$ 216,256	\$ -
Construction in Progress	436,999	24,770	412,229
Capital Assets Being Depreciated			
Building and improvements	36,895,184	36,749,045	146,139
Vehicles/equipment	3,210,568	3,210,568	-
Total Assets Being Depreciated	<u>40,105,752</u>	<u>39,959,613</u>	<u>146,139</u>
Less Accumulated Depreciation for			
Buildings and improvements	(10,663,321)	(9,904,448)	(758,873)
Vehicles/equipment	<u>(2,779,057)</u>	<u>(2,642,531)</u>	<u>(136,526)</u>
Total Accumulated Depreciation	<u>(13,442,378)</u>	<u>(12,546,979)</u>	<u>(895,399)</u>
Total Capital Assets Being Depreciation, net	<u>26,663,374</u>	<u>27,412,634</u>	<u>(749,260)</u>
Total Capital Assets, net	<u><u>\$ 27,316,629</u></u>	<u><u>\$ 27,653,660</u></u>	<u><u>\$ (337,031)</u></u>

Additional information regarding the District's capital assets can be found in Note 4 on page 38 of this report.

Long Term Debt. At the end of the current fiscal year, the District had total debt outstanding of \$32,840,170 consisting of General Obligation Bond (refunded and original), PERS UAL bonds, obligations under capital leases and a QSCB Bond to finance the District Energy Savings Projects.

During the current fiscal year, the District's long term debt decreased by \$1,363,287 exclusive of current year obligations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The current state of Oregon's and national economy and the District's enrollment remains the most salient factors impacting the District's financial outlook. Although the economic outlook is indicating a slow but steady growth, 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. An updated enrollment projection report from PSU has been authorized and should give the District a better picture of our future student demographics. Additionally, the District severed its relationship with the Forest Service's Timber Lake Job Corps, which will decrease the overall student population. Although this is a decline in students, the cost of this program began to exceed the revenue received from these students. State officials are projecting that the FY 14/15 will include an overall increase in State School Funding. Depending upon our FY 13/14 enrollment, the net gain to the District is yet to be determined. Legislation in both the regular and special session did result in a less than projected PERS employer rate. However, legal challenges have been filed and the result of those challenges is yet unknown. The District did take some corrective measures in FY 12/13 and in budgeting for FY 13/14 that has made some improvement to the overall health of the District. These measures, if maintained, should help the District to move towards a more secure financial status.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2013

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 Business Manager at 255 NE 6th Ave., Estacada, OR 97023.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash, cash equivalents and investments	\$ 3,419,418
Cash with trustee	49
Property taxes and other receivables	1,358,341
Prepays	43,972
Inventory	46,198
Prepaid pension expense	8,163,147
Bond issuance costs	266,604
Land	216,256
Buildings and equipment, net of accumulated depreciation	26,663,374
Construction in progress	436,999
	<hr/>
TOTAL ASSETS	40,614,358
	<hr/>
<u>LIABILITIES:</u>	
Accounts payable	257,611
Accrued payroll, taxes and withholdings	982,984
Accrued interest payable	43,043
Long-term debt:	
Net pension obligation	121,295
Other postemployment benefits	460,744
Due within one year	1,327,574
Due in more than one year	31,512,596
	<hr/>
TOTAL LIABILITIES	34,705,847
	<hr/>
<u>NET POSITION:</u>	
Invested in capital assets, net of related debt	6,733,063
Restricted for debt service	438,695
Unrestricted	(1,263,247)
	<hr/>
TOTAL NET POSITION	\$ 5,908,511
	<hr/> <hr/>

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net (Expense) Revenue and Change in Net Position	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Instruction:					
Regular programs	\$ 7,004,019	\$ 508,660	\$ 135,761	\$ -	\$ (6,359,598)
Special programs	9,205,912	-	1,015,253	-	(8,190,659)
Support services:					
Student services	1,344,568	-	227,251	-	(1,117,317)
Instructional staff services	305,514	-	125,861	-	(179,653)
General administration	329,351	-	-	-	(329,351)
School administration	1,254,444	-	-	-	(1,254,444)
Business services	3,785,418	63,415	630,000	432,685	(2,659,318)
Central activities	796,767	-	60,730	-	(736,037)
Enterprise and community services:					
Food services	551,188	94,877	458,905	-	2,594
Community services	56,863	17,826	68,096	-	29,059
Interest on long-term debt	1,679,940	-	-	-	(1,679,940)
Total	\$ 26,313,984	\$ 684,778	\$ 2,721,857	\$ 432,685	(22,474,664)
GENERAL REVENUES:					
					4,513,888
					1,817,442
					15,572,232
					528,899
					28,036
					106,520
					<u>22,567,017</u>
					CHANGE IN NET POSITION
					92,353
					NET POSITION - beginning
					<u>5,816,158</u>
					NET POSITION - ending
					<u>\$ 5,908,511</u>

See notes to the basic financial statements.

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FUND FINANCIAL STATEMENTS

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
ASSETS					
Cash, cash equivalents and investments	\$ 1,831,567	\$ 315,080	\$ 410,150	\$ 862,621	\$ 3,419,418
Cash with trustee	-	-	49	-	49
Property taxes and other receivables	549,773	506,365	136,073	166,130	1,358,341
Prepays	43,972	-	-	-	43,972
Inventory	390	45,808	-	-	46,198
TOTAL ASSETS	<u>\$ 2,425,702</u>	<u>\$ 867,253</u>	<u>\$ 546,272</u>	<u>\$ 1,028,751</u>	<u>\$ 4,867,978</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 186,295	\$ 71,316	\$ -	\$ -	\$ 257,611
Accrued payroll, taxes and withholdings	982,984	-	-	-	982,984
Deferred revenue	284,008	-	107,577	-	391,585
TOTAL LIABILITIES	<u>1,453,287</u>	<u>71,316</u>	<u>107,577</u>	<u>-</u>	<u>1,632,180</u>
FUND BALANCES:					
Nonspendable	44,362	45,808	-	-	90,170
Restricted	-	463,115	438,695	1,028,751	1,930,561
Assigned	383,927	287,014	-	-	670,941
Unassigned	544,126	-	-	-	544,126
TOTAL FUND BALANCES	<u>972,415</u>	<u>795,937</u>	<u>438,695</u>	<u>1,028,751</u>	<u>3,235,798</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,425,702</u>	<u>\$ 867,253</u>	<u>\$ 546,272</u>	<u>\$ 1,028,751</u>	<u>\$ 4,867,978</u>

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

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

JUNE 30, 2013

TOTAL FUND BALANCES		\$ 3,235,798
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Land	\$ 216,256	
Buildings and equipment	40,105,752	
Construction in Progress	436,999	
Accumulated depreciation	<u>(13,442,378)</u>	27,316,629
Prepaid pension expense.		8,163,147
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.		391,585
Bond issuance costs are recognized as an expenditure when incurred and as an asset amortized over the life of the bonds in the Statement of Net Position.		266,604
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		(43,043)
Post employment benefits		(121,295)
Other postemployment benefits		(460,744)
Bonds payable		(32,335,000)
Deferred gain		(428,572)
Capital lease obligations		<u>(76,598)</u>
TOTAL NET POSITION		<u>\$ 5,908,511</u>

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
REVENUES:					
Local sources:					
Property taxes	\$ 4,510,704	\$ -	\$ 1,819,659	\$ -	\$ 6,330,363
Charges for services	62,802	936,310	1,016,220	-	2,015,332
Earnings on investments	11,203	3,002	7,063	6,771	28,039
Miscellaneous	6,122	198,622	80,684	106,020	391,448
Intermediate sources	245,110	98,169	-	30,000	373,279
State sources	16,464,533	94,218	-	-	16,558,751
Federal sources	15,366	1,350,103	-	358,909	1,724,378
	<u>21,315,840</u>	<u>2,680,424</u>	<u>2,923,626</u>	<u>501,700</u>	<u>27,421,590</u>
Total Revenues					
EXPENDITURES:					
Current:					
Instruction	13,995,361	1,779,424	-	-	15,774,785
Support services	7,342,848	447,091	-	-	7,789,939
Enterprise and community services	-	591,294	-	-	591,294
Facilities acquisition and construction	-	-	-	17,463	17,463
Capital outlay	-	-	-	522,727	522,727
Debt service:					
Principal	-	-	1,080,000	-	1,080,000
Interest	-	-	1,692,629	-	1,692,629
	<u>21,338,209</u>	<u>2,817,809</u>	<u>2,772,629</u>	<u>540,190</u>	<u>27,468,837</u>
Total Expenditures					
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(22,369)</u>	<u>(137,385)</u>	<u>150,997</u>	<u>(38,490)</u>	<u>(47,247)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	328,396	-	-	328,396
Transfers out	<u>(328,396)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(328,396)</u>
Total other financing sources (uses)	<u>(328,396)</u>	<u>328,396</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	<u>(350,765)</u>	<u>191,011</u>	<u>150,997</u>	<u>(38,490)</u>	<u>(47,247)</u>
FUND BALANCES, July 1, 2012	<u>1,323,180</u>	<u>604,926</u>	<u>287,698</u>	<u>1,067,241</u>	<u>3,283,045</u>
FUND BALANCES, June 30, 2013	<u>\$ 972,415</u>	<u>\$ 795,937</u>	<u>\$ 438,695</u>	<u>\$ 1,028,751</u>	<u>\$ 3,235,798</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, 2013

NET CHANGES IN FUND BALANCES	\$ (47,247)
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	\$ 558,368
Depreciation	<u>(895,399)</u> (337,031)
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.	1,080,000
Amortization of prepaid pension expense.	(551,957)
Amortization of deferred gain on refunding.	35,714
Amortization of bond issuance costs.	(20,127)
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.	1,454
Payments on capital leases and new capital leases are recorded as a change in liabilities on the Statement of Net Position.	36,177
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.	(25,275)
Other postemployment benefits are reported in the Statement of Activities but not reported as an expenditure in the governmental funds.	(80,321)
Revenues that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.	<u>966</u>
CHANGE IN NET POSITION	<u><u>\$ 92,353</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, 2013

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources:				
Property taxes	\$ 4,501,584	\$ 4,501,584	\$ 4,510,704	\$ 9,120
Charges for services	158,000	158,000	62,802	(95,198)
Earnings on investments	25,000	25,000	11,203	(13,797)
Miscellaneous	8,000	8,000	6,122	(1,878)
Intermediate sources	116,353	116,353	245,110	128,757
State sources	15,888,462	15,888,462	16,464,533	576,071
Federal sources	55,857	55,857	15,366	(40,491)
	<u>20,753,256</u>	<u>20,753,256</u>	<u>21,315,840</u>	<u>562,584</u>
EXPENDITURES:				
Instruction *	13,930,915	14,130,915	13,995,361	135,554
Support services *	7,731,036	7,531,036	7,342,848	188,188
Contingency *	600,000	600,000	-	600,000
	<u>22,261,951</u>	<u>22,261,951</u>	<u>21,338,209</u>	<u>923,742</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,508,695)</u>	<u>(1,508,695)</u>	<u>(22,369)</u>	<u>1,486,326</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	-	(200,000)
Transfers out *	(328,396)	(328,396)	(328,396)	-
	<u>(128,396)</u>	<u>(128,396)</u>	<u>(328,396)</u>	<u>(200,000)</u>
NET CHANGE IN FUND BALANCE	<u>(1,637,091)</u>	<u>(1,637,091)</u>	<u>(350,765)</u>	<u>1,286,326</u>
FUND BALANCE, July 1, 2012	<u>1,637,091</u>	<u>1,637,091</u>	<u>1,323,180</u>	<u>(313,911)</u>
FUND BALANCE, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 972,415</u>	<u>\$ 972,415</u>

* 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, 2013

	Budget		Actuals	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources:				
Charges for services	\$ 1,102,884	\$ 1,102,884	\$ 936,310	\$ (166,574)
Earnings on investments	4,600	4,600	3,002	(1,598)
Other	325,982	325,982	198,622	(127,360)
Intermediate sources	350,000	350,000	98,169	(251,831)
State sources	244,271	244,271	94,218	(150,053)
Federal sources	1,669,963	1,669,963	1,350,103	(319,860)
	3,697,700	3,697,700	2,680,424	(1,017,276)
EXPENDITURES:				
Instruction *	2,224,294	2,224,294	1,779,424	444,870
Support services *	1,330,319	1,330,319	447,091	883,228
Enterprise and community services *	850,608	850,608	591,294	259,314
Contingency *	70,000	70,000	-	70,000
	4,475,221	4,475,221	2,817,809	1,657,412
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(777,521)	(777,521)	(137,385)	640,136
OTHER FINANCING SOURCES (USES):				
Transfers in	328,396	328,396	328,396	-
	328,396	328,396	328,396	-
NET CHANGE IN FUND BALANCE	(449,125)	(449,125)	191,011	640,136
FUND BALANCE, July 1, 2012	449,125	449,125	604,926	155,801
FUND BALANCE, June 30, 2013	\$ -	\$ -	\$ 795,937	\$ 795,937

* 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, 2013

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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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

Measurement Focus and Basis of Accounting

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

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

Cash, Cash Equivalents and Investments

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

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

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash with Trustee

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

Property Taxes Receivable

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

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

Accounts and Other Receivables

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

Grants

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

Inventory

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

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, 2013

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. Gains or losses on refunding are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

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

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

Budget

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

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

Expenditures are appropriated at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. Expenditures generally cannot legally exceed these function level appropriations. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board of Directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board of Directors. The District had one appropriation transfer this year. Appropriations lapse at year-end.

Use of Estimates

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

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, 2013, the District's cash, cash equivalents and investments is comprised of the following:

Cash on hand	\$ 2,996
Deposits with financial institutions:	
Demand deposits, non-interest bearing	2,116,427
State of Oregon Treasurer's	
Local Government Investment Pool	<u>1,299,995</u>
	<u>\$ 3,419,418</u>

Deposits with Financial Institutions

Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance is \$2,271,594. Of these deposits, \$455,487 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.

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, 2013. 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, 2013, the District does not have investments exposed to custodial credit risk.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

3. RECEIVABLES

Receivables at June 30, 2013 are comprised of the following:

Property Taxes	\$ 427,111
Undistributed Tax Collections	30,943
Grants	519,945
Other	380,342
	\$ 1,358,341

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 216,256	\$ -	\$ -	\$ 216,256
Construction in Progress	24,770	424,549	(12,320)	436,999
Total capital assets not being depreciated	241,026	424,549	(12,320)	653,255
Capital Assets being depreciated:				
Buildings and improvements	36,749,045	146,139	-	36,895,184
Vehicles and equipment	3,210,568	-	-	3,210,568
Total capital assets being depreciated	39,959,613	146,139	-	40,105,752
Less accumulated depreciation for:				
Buildings and improvements	(9,904,448)	(758,873)	-	(10,663,321)
Vehicles and equipment	(2,642,531)	(136,526)	-	(2,779,057)
Total accumulated depreciation	(12,546,979)	(895,399)	-	(13,442,378)
Total capital assets being depreciated, net	27,412,634	(749,260)	-	26,663,374
Total capital assets, net	\$ 27,653,660	\$ (324,711)	\$ (12,320)	\$ 27,316,629

Equipment with a cost of approximately \$187,546 is financed under capital leases.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

4. CAPITAL ASSETS (Continued)

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

Instruction:	
Regular programs	\$ 253,901
Special programs	335,100
Support Services:	
Student services	48,898
Instructional staff services	11,115
General administration	11,992
School administration	45,608
Business services	137,444
Central activities	29,024
Enterprise and community services:	
Food services	19,565
Community services	2,074
Facilities acquisition	678
Total	<u>\$ 895,399</u>

5. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2013 are as follows:

	Outstanding July 1, 2012	Issued	Redeemed and Matured	Outstanding June 30, 2013
Obligations under capital leases	\$ 112,775	\$ -	\$ 36,177	\$ 76,598
2005 general obligation refunding bonds; original issue \$21,300,000; interest from 3.00% to 5.50%	20,220,000	-	785,000	19,435,000
2005 pension bonds; original issue \$12,695,000; interest from 4.052% to 4.759%	12,220,000	-	230,000	11,990,000
2011 QBSCB Bonds original issue \$1,100,000; interest 5.050%	975,000	-	65,000	910,000
	<u>33,527,775</u>	-	1,116,177	32,411,598
Gain on advance refunding	464,286	-	35,714	428,572
	<u>33,992,061</u>	<u>\$ -</u>	<u>\$ 1,151,891</u>	32,840,170
Less: current portion	<u>(1,116,178)</u>			<u>(1,327,574)</u>
	<u>\$ 32,875,883</u>			<u>\$ 31,512,596</u>

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

5. LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity are as follows:

Year Ended June 30,	Obligations Under Capital Leases	General Obligation Bonds	Pension Bonds	QSCB Bonds	Total	Bond Interest
2014	\$ 37,574	\$ 940,000	\$ 285,000	\$ 65,000	\$ 1,327,574	\$ 1,644,471
2015	39,024	1,000,000	345,000	65,000	1,449,024	1,590,991
2016	-	1,085,000	405,000	65,000	1,555,000	1,522,322
2017	-	1,205,000	475,000	65,000	1,745,000	1,443,771
2018	-	1,335,000	550,000	65,000	1,950,000	1,355,053
2019-2023	-	9,005,000	4,040,000	325,000	13,370,000	5,041,966
2024-2028	-	4,865,000	5,890,000	260,000	11,015,000	1,249,093
	<u>\$ 76,598</u>	<u>\$ 19,435,000</u>	<u>\$ 11,990,000</u>	<u>\$ 910,000</u>	<u>\$ 32,411,598</u>	<u>\$ 13,847,667</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 two vehicles with an original cost of \$187,546 with interest rates of 3.79%.

6. INTERFUND TRANSFERS

The General Fund transferred \$328,396 of resources to the Special Revenue Fund for matching as required by grant awards.

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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

7. RETIREMENT PLANS (Continued)

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.

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, 2013, were 11.71% and 10.20%, 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 2013-2015 biennium have been adjusted to 13.82% and 11.82% respectively.

Employer and employee contributions for 2013 were approximately \$1,655,947 for OPERF and OPSRP. Total contributions for 2012 and 2011 were approximately \$1,566,271 and \$1,459,831 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.
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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2013

7. RETIREMENT PLANS (Continued)

Early Retirement Plan (Continued)

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, 2013

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, 2013, 2012, and 2011 are summarized as follows:

	Year Ended June 30,		
	2013	2012	2011
Annual required contribution	\$ 125,803	151,388	\$ 151,236
Interest on net pension obligation	3,601	2,183	1,343
Adjustments	(12,735)	-	-
Annual pension cost	116,669	153,571	152,579
Contributions made	(91,394)	(115,754)	(130,199)
Increase in net pension obligation	25,275	37,817	22,380
Net pension obligation - beginning of year	96,020	58,203	35,823
Net pension obligation - end of year	\$ 121,295	96,020	\$ 58,203

The annual required contribution (ARC) for the year ended June 30, 2013 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, 2013

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, 2013, 2012, and 2011.

	Year Ended June 30,		
	2013	2012	2011
Annual required contribution	\$ 108,182	\$ 138,343	135,630
Interest on net OPEB obligation	14,265	10,697	7,153
Adjustments to annual required contribution	(16,052)	(12,037)	(8,049)
Annual OPEB cost	106,395	137,003	134,734
Contributions made	(26,074)	(41,846)	(40,230)
Increase in net OPEB obligation	80,321	95,157	94,504
Net OPEB obligation - beginning of year	380,423	285,266	190,762
Net OPEB obligation - end of year	<u>\$ 460,744</u>	<u>\$ 380,423</u>	<u>285,266</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
2011	134,734	40,230	29.9%	285,266
2012	137,003	41,846	30.5%	380,423
2013	106,395	26,074	24.5%	460,744

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, 2013

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, 2013, 2012 and 2011 were approximately \$60,659, \$54,400, and \$33,323 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, 2013

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, 2013
Nonspendable:					
Inventory	\$ 390	\$ 45,808	\$ -	\$ -	\$ 46,198
Prepaid items	43,972	-	-	-	43,972
Restricted for:					
Capital projects	-	-	-	1,028,751	1,028,751
College Scholarships	-	59,068	-	-	59,068
Debt Service	-	-	438,695	-	438,695
Federal, State and private grants	-	20,117	-	-	20,117
High School Building	-	48,992	-	-	48,992
High School Inheritance	-	36,678	-	-	36,678
Student Activities	-	290,341	-	-	290,341
Technology	-	7,919	-	-	7,919
Assigned to:					
Appropriated ending fund balance	383,927	-	-	-	383,927
Athletics	-	108,916	-	-	108,916
Community Schools	-	60,818	-	-	60,818
Estacada Alternative School	-	12,710	-	-	12,710
Insurance reserve	-	69,050	-	-	69,050
Transportation Bus Replacement	-	35,520	-	-	35,520
Unassigned	544,126	-	-	-	544,126
	<u>\$ 972,415</u>	<u>\$ 795,937</u>	<u>\$ 438,695</u>	<u>\$ 1,028,751</u>	<u>\$ 3,235,798</u>

12. ADOPTION OF GASB STATEMENT NO. 63

During the year, the District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The adoption of this statement has no material impact on comparison with prior year financial statements, or any amounts presented in the current year financial statements. The adoption of this policy required that amounts referred to in prior years as net assets, be referred to as net position in the current, and future, years. The names of several statements were changed accordingly.

REQUIRED SUPPLEMENTARY INFORMATION

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

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

YEAR ENDED JUNE 30, 2013

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, 2013

	<u>Budget</u>		<u>Actuals</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources:				
Taxes - current year's levy	\$ 1,721,042	\$ 1,721,042	\$ 1,759,515	\$ 38,473
Taxes - prior years' levies	50,000	50,000	60,144	10,144
Earnings on investments	1,200	1,200	7,063	5,863
Services provided to other funds	845,753	845,753	1,016,220	170,467
Miscellaneous	25,000	25,000	80,684	55,684
Federal sources	46,800	46,800	-	(46,800)
	<u>2,689,795</u>	<u>2,689,795</u>	<u>2,923,626</u>	<u>233,831</u>
EXPENDITURES:				
Debt service *:				
Principal	1,080,000	1,080,000	1,080,000	-
Interest	1,692,678	1,692,678	1,692,629	49
	<u>2,772,678</u>	<u>2,772,678</u>	<u>2,772,629</u>	<u>49</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(82,883)	(82,883)	150,997	233,880
FUND BALANCE, July 1, 2012	<u>82,883</u>	<u>82,883</u>	<u>287,698</u>	<u>204,815</u>
FUND BALANCE, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 438,695</u>	<u>\$ 438,695</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, 2013

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources:				
Earnings on investments	\$ 3,500	\$ 3,500	\$ 6,771	\$ 3,271
Contributions and donations	80,000	80,000	106,020	26,020
Intermediate sources	10,000	10,000	30,000	20,000
State sources	110,000	110,000	-	(110,000)
Federal sources	393,000	393,000	358,909	(34,091)
	596,500	596,500	501,700	(94,800)
Total Revenues				
EXPENDITURES:				
Facilities acquisition, construction and improvement services *:				
Purchased services	50,000	50,000	13,816	36,184
Supplies and materials	568,500	568,500	3,647	564,853
Capital outlay	978,000	978,000	522,727	455,273
	1,596,500	1,596,500	540,190	1,056,310
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,000,000)	(1,000,000)	(38,490)	961,510
OTHER FINANCING SOURCES (USES):				
Transfers out *	(200,000)	(200,000)	-	200,000
	(200,000)	(200,000)	-	200,000
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCE	(1,200,000)	(1,200,000)	(38,490)	1,161,510
FUND BALANCE, July 1, 2012	1,200,000	1,200,000	1,067,241	(132,759)
FUND BALANCE, June 30, 2013	\$ -	\$ -	\$ 1,028,751	\$ 1,028,751

* Legally adopted appropriation level.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 10
Estacada, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2013

	Tax Year	Uncollected July 1, 2012	Levy as Extended by Assessor	Discounts Allowed	Interest	Adjustments	Collections	Uncollected June 30, 2013
GENERAL FUND:								
Current		\$ -	\$ 4,626,849	\$ (115,600)	\$ 2,345	\$ (12,933)	\$ 4,363,882	\$ 136,779
Prior	2011-12	152,160	-	133	6,116	(5,837)	74,225	78,347
	2010-11	76,597	-	75	5,642	(4,010)	28,890	49,414
	2009-10	50,394	-	6	7,325	(605)	29,230	27,890
	2008-09	15,436	-	4	3,641	(296)	13,791	4,994
	2007-08	2,857	-	2	442	(216)	1,180	1,905
	2006-07	1,555	-	-	179	(171)	457	1,106
	2005-06	751	-	-	47	(7)	104	687
	2004-05	643	-	-	55	(4)	116	578
	2003-04	476	-	-	54	(4)	104	422
	2002-03	404	-	-	54	(4)	99	355
	2001-02	373	-	-	25	(3)	45	350
	and prior	1,462	-	-	(2,048)	(26)	(1,918)	1,306
Total Prior		303,108	-	220	21,532	(11,183)	146,323	167,354
Total General Fund		303,108	4,626,849	(115,380)	23,877	(24,116)	4,510,205	304,133
DEBT SERVICE FUND:								
Current		-	1,865,888	(46,618)	945	(5,216)	1,759,840	55,159
Prior	2011-12	61,362	-	53	2,467	(2,354)	29,933	31,595
	2010-11	32,140	-	31	2,368	(1,682)	12,122	20,735
	2009-10	20,450	-	2	2,972	(246)	11,862	11,316
	2008-09	6,081	-	2	1,435	(117)	5,433	1,968
	2007-08	995	-	1	154	(75)	411	664
	2006-07	627	-	-	72	(69)	184	446
	2005-06	357	-	-	22	(4)	50	325
	2004-05	242	-	-	21	(2)	43	218
	2003-04	181	-	-	20	(2)	40	159
	2002-03	124	-	-	16	(1)	30	109
	2001-02	302	-	-	21	(3)	36	284
Total Prior		122,861	-	89	9,568	(4,555)	60,144	67,819
Total Debt Service Fund		122,861	1,865,888	(46,529)	10,513	(9,771)	1,819,984	122,978
TOTAL ALL FUNDS		\$ 425,969	\$ 6,492,737	\$ (161,909)	\$ 34,390	\$ (33,887)	\$ 6,330,189	\$ 427,111

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

**SUPPLEMENTAL INFORMATION AS REQUIRED
BY THE STATE OF OREGON DEPARTMENT OF EDUCATION**

YEAR ENDED JUNE 30, 2013

SUPPLEMENTAL INFORMATION, 2012-2013

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	\$ 472,426.
Function 2550	\$ 10,064.

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 Co-curricular Activities
1140 Pre-Kindergarten
1300 Continuing Education
1400 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 AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF THE 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, 2013, 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, 2013.

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, 2013



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, 2013. 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-Profits 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, 2013.



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, 2013

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

	<u>Grant Period</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Grant Amount</u>	<u>Expenditures</u>
U.S. Department of Education					
Passed through Oregon State Department of Education					
Title I, Part A Cluster					
Title I ESEA	2011-2012	84.010	22611	\$ 290,701	\$ 11,037
	2012-2013	84.010	25242	253,527	240,413
Priority Focus Improvement Formula	2012-2013	84.010	25636	4,983	4,982
Total Title I, Part A Cluster				549,211	256,432
Special Education Cluster					
IDEA Part B	2011-2012	84.027	23569	441,748	14,315
	2012-2013	84.027	26670	454,909	437,934
IDEA Enhancement	2011-2012	84.027	23788	1,522	1,522
	2012-2013	84.027	26459	5,305	1,060
SPR & I Grant	2012-2013	84.027	25737	2,825	373
IDEA Part B, 619	2011-2012	84.173	24185	2,989	1,052
Total Special Education Cluster				909,298	456,256
Applied Academic Research	2011-2012	84.048	23430	2,593	572
Title III Language Instruction	2011-2012	84.365	22966	32,873	23,497
	2012-2013	84.365	25119	34,613	19,070
				67,486	42,567
Title IIA Improving Teacher Quality	2011-2012	84.367	22795	75,873	16,220
	2011-2012	84.367	25467	75,339	66,615
				151,212	82,835
Total Passed through Oregon State Department of Education				1,679,800	838,662
Passed through Clackamas Education Service District					
Title 1C Migrant Education	2012-2013	84.011	N/A	1,836	1,595
Career Technical Education	2012-2013	84.048	N/A	14,082	13,261
Total Passed through Clackamas Education Service District				15,918	14,856
Passed through Oregon Department of Human Services					
Vocational Rehabilitation Grants To States	2012-2013	84.126A	N/A	60,178	43,446
Total U.S. Department of Education				1,755,896	896,964
U.S. Department of Agriculture					
Passed through Oregon State Department of Education					
Child Nutrition Cluster					
National School Breakfast	2012-2013	10.553	N/A	79,943	79,943
Commodities	2012-2013	10.555	N/A	28,651	28,651
National School Lunch	2012-2013	10.555	N/A	301,217	301,217
Summer Food - Food	2012-2013	10.559	N/A	36,387	36,387
Total Child Nutrition Cluster				446,198	446,198
Total U.S. Department of Agriculture				446,198	446,198
U.S. Department of Health and Human Services					
Affordable Care Act Grants for School-Based Health Centers Capital Program	2011-2013	93.501	C12CS23439	392,104	358,909
Total US Department of Health and Human Services				392,104	358,909
U.S. Department of Labor, Employment & Training Administration					
Passed through Clackamas Education Service District					
WIA Youth Services	2012-2013	17.259	N/A	13,100	6,941
Total U.S. Department of Labor, Employment & Training Administration				13,100	6,941
Federal Grants					
Passed through Clackamas County					
Federal Forest Fees	2012-2013	10.665	N/A	15,366	15,366
Total Federal Grants				15,366	15,366
Total Federal Financial Assistance				\$ 2,622,664	\$ 1,724,378

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, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unqualified

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 Unqualified

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

93.501
10.553, 10.555, 10.556, 10.559

NAME OF PROGRAM OR CLUSTER

Affordable Care Act Grants for School Based Health Center
Child Nutrition 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, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS - NONE

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS - NONE

SECTION IV - SUMMARY OF PRIOR AUDIT FINDING

Finding 12-01:

Audit Finding: The Verification Summary Report required by the Oregon Department of Education was not submitted by the deadline.

Corrective Action: The District implemented a procedure to ensure timely submission of the Verification Summary Report by placing reminders on the grant manager's calendar well in advance of the deadline. Based on the current year audit this finding has been corrected.

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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, 2013, and have issued our report thereon dated December 9, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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

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

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

OAR 162-10-0230 Internal Control

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



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

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

We noted certain matters that we reported to management of Clackamas County School District No. 508, in a separate letter dated December 9, 2013.

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, 2013