

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

Financial Statements and
Supplementary Information

Year Ended June 30, 2011

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

OFFICIALS OF THE DISTRICT

June 30, 2011

BOARD OF DIRECTORS

<u>Name</u>	<u>Term Expires</u>
Leslie Andr'e 20576 S Springwater Road Estacada, OR 97023	June 30, 2011
Ralph Branson 931 Edgehill Drive Estacada, OR 97023	June 30, 2011
Danny Scott, Chair P O Box 250 Eagle Creek, OR 97022	June 30, 2011
Sherri Graham P O Box 2503 Estacada, OR 97023	June 30, 2013
Mark Green 27770 SE Currin Road Estacada, OR 97023	June 30, 2013
Angi Riedel, Vice Chairperson 21003 S Mattoon Road Estacada, OR 97023	June 30, 2013
Steve Woods 36750 SE Kemp Road Estacada, OR 97023	June 30, 2013

District Administration

Howard Fetz
Donna Cancio

Superintendent
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
Clackamas County, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Clackamas County School District No. 108, Clackamas County, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clackamas County School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Clackamas County School District, Clackamas County, Oregon, as of June 30, 2011, and the respective changes in financial position there of and respective budgetary comparisons for the General Fund and Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of Clackamas County School 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedule of Funding Progress for Other Postemployment Benefits, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying Required Supplemental Information consisting of the Schedule of Funding Progress for Other Post Employment Benefits and the supplemental information section listed in the table of contents are presented for purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 financial statements. The required and supplemental information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 12, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clackamas County School District #108
Estacada, Oregon

Management's Discussion and Analysis
FOR THE YEAR ENDED JUNE 30, 2011

The discussion and analysis of Clackamas County School District #108 (the District) financial performance provides an overall review of the financial activities for the year ended June 30, 2011. 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, 2011 by \$6,492,407 which is significantly less than last year's \$6,925,087. This represents a 6% drop in Net Assets from FY 09 10 and is the third year in a row that net assets decreased. Last year the drop in net assets was about 14%. Of that amount \$5,462,938 represents the District's investment in capital assets, \$201,399 is restricted for debt service and the balance of \$828,070 is unrestricted and available to meet the District's ongoing obligations to citizens and creditors. Last year's unrestricted balance was \$1,432,333. This represents a 42% decrease in the unrestricted balance over last year. The percentage decrease is the same as the decrease from FY 08/09 to FY 09/10, meaning that the District's decrease in unrestricted assets has decreased 84% over the past two years. This is cause for significant concern that needs to be addressed in FY 12 13 budget planning.
- The District's total net assets decreased by \$432,680. This decrease, although significantly less than last year's decrease of \$1,016,948, represents a three year trend resulting in a cumulative loss of close to 2 million in net assets. Net assets are a vital statistic indicating the overall financial health of an organization. Over the past 4 years, Net Assets have consistently decreased at varying degrees. The District needs to work towards reversing this trend.
- Although the District spent significantly less in FY 10 11 than in FY 09 10, revenue was also lower. Unfortunately, the District still spent more than it received thus the loss in Net Assets of \$432,680.
- The District's governmental funds reported a combined ending fund balance of \$4,222,061, which represents an increase of \$266,086 over last year. Although District-wide, this is a positive, the General Fund's ending balance decreased by \$246,406 This will again negatively impact the available resources the District has to support the FY 11 12 and thereby FY 12 13 budgets. The Capital Projects Fund experienced the greatest increase due to the Biomass Boiler Project that was in progress at year-end. The increase in the Capital Projects Fund was over one half million. This is a one-year increase only, as the project will be completed by next year's audit.

FINANCIAL HIGHLIGHTS (Continued)

- Of that \$4,222,061 total ending fund balance, \$2,031,063, is undesignated and assigned thereby available for spending.
- At the end of the fiscal year, undesignated and assigned fund balance for the general fund was \$1,945,526 which represents approximately 9.47% of total General Fund Expenditures. This is down from 11% for last year. Two years ago, the Ending Fund Balance was 14% of General Fund expenditures. This trend indicates that the District is getting to a dangerously low ending fund balance, as the suggested range is 10 – 15%.
- The District's total debt increased by \$132,469 this year, exclusive of current year obligations. This increase reflects cumulative effect of the retirement of some long-term debt and the issuance of QSCB Bonds that financed the energy savings programs the District implemented.
- The District had \$26,148,064 in expenses related to government activities, which includes depreciation expenses. Of the \$26,148,064 in expenses, \$776,485 were offset by program-specific charges for services provided within the District \$3,740,201 were offset by Operating Grants and Contributions, and \$306,760 were offset by Capital Grants and Contributions. The total offsets from program specific revenue and grants were \$4,823,446.

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

The Statement of Activities. The statement of activities presents information showing how the net assets of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 18 and 19 of this report

Fund Financial Statements. The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be found under governmental funds.

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

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

The District maintains 4 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Special Revenue Fund, Debt Service Fund, and the Capital Projects Fund. These basic governmental fund financial statements can be found on pages 23 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 30 through 48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net assets may serve, over time, as a useful indicator of a government's financial position. The District, assets exceed liabilities by \$6,492,407 at June 30, 2011. Last year, assets exceeded liabilities by \$6,925,087 as originally stated. This represents a decrease of \$432,680. The loss of Net Assets should be of concern to the District as this is a indicator of the overall financial health of the organization.

Capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent approximately 63% of total assets, which is essentially unchanged from last year. 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 23% of the District's current assets. These percentages are very similar to FY 09/10.

The District's largest liability (91%) is for the repayment of general obligation bonds, obligations under capital leases and the repayment of the PERS UAL bond. Current liabilities, about 9% of the Districts total liabilities, consist mainly of payables on accounts, accrued payroll, taxes and withholdings, and post-employment benefits.

A majority of the District's net assets (63%) reflects its investment in capital assets (e.g., land, buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS (Continued)

Net Assets at Fiscal Year-End			
	Governmental Activities		Increase
	June 30, 2011	June 30, 2010	(Decrease)
Current and other assets	\$ 15,922,387	\$ 15,867,144	\$ 55,243
Capital assets	27,798,281	27,554,707	243,574
Total Assets	43,720,668	43,421,851	298,817
Current Liabilities	3,200,486	2,601,458	599,028
Long-Term Debt	34,027,775	33,895,306	132,469
Total Liabilities	37,228,261	36,496,764	731,497
Net Assets:			
Invested in capital assets, net of related debt	5,462,938	5,321,348	141,590
Restricted for debt service	201,399	171,406	29,993
Unrestricted	828,070	1,432,333	(604,263)
Total Net Assets	\$ 6,492,407	\$ 6,925,087	\$ (432,680)

During the current fiscal year, the District's net assets decreased by \$432,680. Last year, the District experienced a decrease in Net Assets of \$1,106,948. This two year decrease in Net Assets should be of significant concern to the District. Corrective action is certainly recommended in the area of decreasing expenditures and/or increasing revenue.

Governmental activities. The key elements of the change in the District's net assets for the year ended June 30, 2011 are as follows:

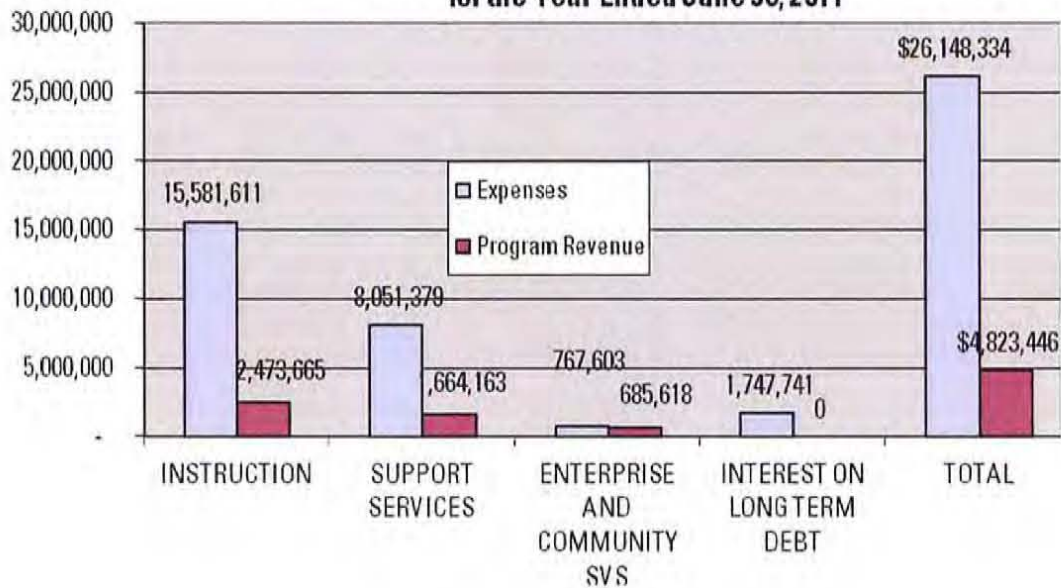
- Total Revenue decreased by \$177,639 and Total Expenses decreased by \$761,907. Although the District did decrease spending by more than the decrease in revenue it still spent more than it took in by \$432,680. This trend is having a significant negative impact on the overall financial health of the District, threatening its ability to provide adequate service levels to its students and community in the very near future.
- When reviewing "Changes in Net Assets for all Governmental Activities, Expenses exceeded Revenue by \$432,680 In FY 09/10 that figure was \$1,016,948. This indicates that the district is continuing to spend down its fund balance.

GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS (Continued)

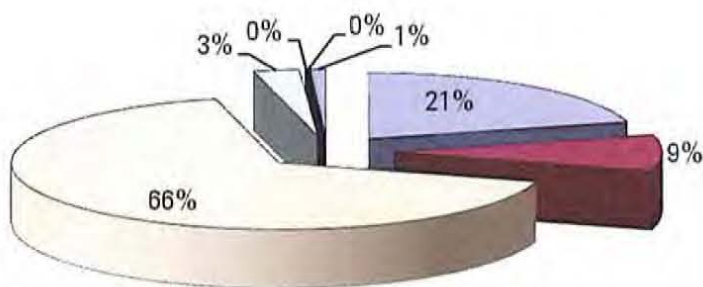
Changes in Net Assets For the Year Ended June 30, 2011 and 2010			
	Governmental Activities		Increase (Decrease)
	June 30, 2011	June 30, 2010	
Revenues:			
Program Revenues:			
Charges for services	\$ 776,485	\$ 816,754	\$ (40,269)
Operating grants and contributions	3,740,201	3,972,714	(232,513)
Capital grants & contributions	306,760	116,146	190,614
General Revenues:			
Property taxes levied for general purpose	4,360,254	4,304,161	56,093
Property taxes levied for debt service	1,829,298	1,743,773	85,525
State School Fund - General Fund	13,906,249	13,935,022	(28,773)
Unrestricted state and local sources	569,923	900,404	(330,481)
Earnings on investments	33,232	40,569	(7,337)
Miscellaneous	192,982	92,071	100,911
Total Revenues	25,715,384	25,921,614	(206,230)
Expenses:			
Instruction			
Regular programs	8,028,303	8,096,630	(68,327)
Special programs	7,553,308	8,351,879	(798,571)
Support Services			
Student services	1,286,793	1,412,037	(125,244)
Instructional staff services	460,715	502,580	(41,865)
General administration	321,470	343,363	(21,893)
School administration	1,352,491	1,322,745	29,746
Business services	3,945,859	3,746,346	199,513
Central activities	684,051	689,653	(5,602)
Enterprises and Community Services			
Food services	696,905	660,505	36,400
Community services	70,698	76,342	(5,644)
Interest on Long-term debt	1,747,471	1,736,482	10,989
Total Expenses	26,148,064	26,938,562	(790,498)
Change in net assets	(432,680)	(1,016,948)	584,268
Net assets - July 1	6,925,087	7,942,035	(1,016,948)
Net assets - June 30	\$ 6,492,407	\$ 6,925,087	\$ (432,680)

GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS (Continued)

Expenses and Program Revenues - Governmental Activities for the Year Ended June 30, 2011



General Revenues By Source Governmental Activities For The Year Ended June 30, 2010



- Property Taxes levied for general purposes
- Property Taxes levied for debt service
- State school fund - general support
- Unrestricted state and local sources
- Earnings on investments
- Loss on disposition of fixed assets
- Miscellaneous

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

At June 30, 2011, the District's governmental funds reported a combined fund balance of \$4,222,061. This represents an increase of \$266,086 from the prior year. Last year, there was decrease in overall fund balance by approximately \$604,418. Unfortunately this increase was fueled by the Capital Projects fund and is a one year increase. The General Fund and the Special Revenue Fund which, are the two major operating funds, decreased by \$297,862.

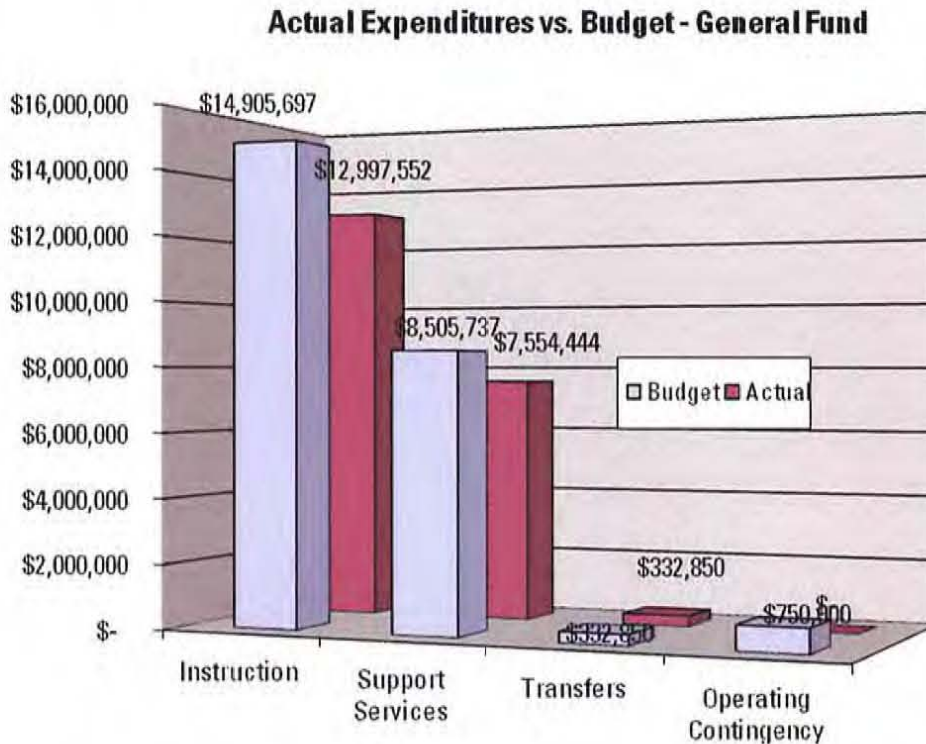
General Fund. The general fund is the chief operating fund of the District. As of June 30, 2011, the General Fund ending fund balance was \$1,994,321. This is decrease from FY 09 10 by \$246,406. As a major indicator of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. For the General Fund, fund balance represents 9.47% of total General Fund expenditures. This percentage decreased from 11% last year and should always stay between 10-15% to protect itself from significant unpredictable swings in either revenue or expenses. The District is now below this floor leaving it very vulnerable to any swing in resources or expenses. The District should strive to build up it 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, 2011 of \$1,436,071. This is a significant increase of \$533,955. The increase is mainly due to financing the SB 1149 energy savings projects. By the end of FY 11 12, that fund balance will have been spent on finishing those projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, the District did spend 85% of its entire budget and 87% of its operating budget (excluding contingency). Although this may appear as a positive step, it was more of a reaction to the reality that the District was not going to realize all of its projected revenue. For example, in FY 10 11, the district budgeted for a full year, and ended up cutting 5 days out of the work calendar for all employees.

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)



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, 2011 the District had invested over \$27,798,281 in Capital Assets including land and net of depreciation, as shown in the following table:

During the year, the District's investment in capital assets increased by \$243,574. The increase is mainly due the capital investment in the District's energy savings projects, primarily the installation of a Biomass Boiler.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Net of Depreciation) June 30, 2011 and 2010			
	Governmental Activities		Increase (Decrease)
	June 30, 2011	June 30, 2010	
Land	\$ 216,256	\$ 216,256	\$ -
Construction in Progress	763,083	-	763,083
Capital Assets Being Depreciated			
Building and improvements	35,299,943	35,188,408	111,535
Vehicles/equipment	3,153,573	2,952,452	201,121
Total Assets Being Depreciated	38,453,516	38,140,860	312,656
Less Accumulated Depreciation for			
Buildings and improvements	(9,150,116)	(8,450,014)	(700,102)
Vehicles/equipment	(2,484,458)	(2,352,395)	(132,063)
Total Accumulated Depreciation	(11,634,574)	(10,802,409)	(832,165)
Total Capital Assets Being Depreciation, net	26,818,942	27,338,451	(519,509)
Total Capital Assets, net	\$ 27,798,281	\$ 27,554,707	\$ 243,574

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

Long Term Debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$34,542,201 consisting of General Obligation Bond (refunded and original), PERS UAL bonds, obligations under capital leases and the addition of a QSCB Bond to finance the District Energy Savings Projects.

During the current fiscal year, the District's long term debt increase by \$132,469 exclusive of current year obligations, but inclusive of long term debt due within one year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The current state of Oregon's and national economy and the District's enrollment remains the most salient factors impacting the District's financial outlook. Unfortunately, neither is showing signs of significant and/or swift recovery. The District will continue to experience lower levels of revenue based upon lower enrollments. Unfortunately, the State is not making up for the loss through increased funding. Therefore, the District will continue to see the need to reduce its budget for the next several years.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
<u>ASSETS:</u>	
Cash, cash equivalents and investments	\$ 4,797,339
Cash with trustee	466
Property taxes and other receivables	1,491,110
Prepays	48,358
Inventory	11,195
Prepaid pension expense	9,267,060
Bond issuance costs	306,859
Land	216,256
Buildings and equipment, net of accumulated depreciation	26,818,942
Construction in Progress	763,083
TOTAL ASSETS	43,720,668
<u>LIABILITIES:</u>	
Accounts payable	400,944
Accrued payroll, taxes and withholdings	1,396,046
Accrued interest payable	45,601
Long-term debt:	
Net pension obligation	58,203
Other postemployment benefits	285,266
Due within one year	1,014,426
Due in more than one year	34,027,775
TOTAL LIABILITIES	37,228,261
<u>NET ASSETS:</u>	
Invested in capital assets, net of related debt	5,462,938
Restricted for Debt Service	201,399
Unrestricted	828,070
TOTAL NET ASSETS	\$ 6,492,407

See notes to basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

STATEMENT OF ACTIVITIES**YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
			Capital Grants and Contributions	
Instruction:				
Regular programs	\$ 8,028,303	\$ 582,820	\$ 704,174	\$ -
Special programs	7,553,308	-	1,186,671	-
Support services:				
Student services	1,286,793	-	224,274	-
Instructional staff services	460,715	-	261,676	-
General administration	321,470	-	-	-
School administration	1,352,491	-	260	-
Business services	3,945,859	36,453	798,916	306,760
Central activities	684,051	-	35,824	-
Enterprise and community services:				
Food services	696,905	129,654	523,011	-
Community services	70,698	27,558	5,395	-
Interest on long-term debt	1,747,471	-	-	-
Total	\$ 26,148,064	\$ 776,485	\$ 3,740,201	\$ 306,760
GENERAL REVENUES:				
Property taxes levied for general purposes				4,360,254
Property taxes levied for debt service				1,829,298
State school fund - general support				13,906,249
Unrestricted state and local sources				569,923
Earnings on investments				33,232
Miscellaneous				192,982
Total general revenues				20,891,938
CHANGE IN NET ASSETS				(432,680)
NET ASSETS - beginning				6,925,087
NET ASSETS - ending				\$ 6,492,407

See notes to basic financial statements.

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FUND FINACIAL STATEMENTS

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CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total 2011
ASSETS					
Cash, cash equivalents and investments	\$ 3,123,271	\$ 79,665	\$ 176,011	\$ 1,418,392	\$ 4,797,339
Cash with trustee	-	-	466	-	466
Property taxes and other receivables	806,677	549,268	117,486	17,679	1,491,110
Prepays	48,358	-	-	-	48,358
Inventory	437	10,758	-	-	11,195
TOTAL ASSETS	\$ 3,978,743	\$ 639,691	\$ 293,963	\$ 1,436,071	\$ 6,348,468
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 351,523	\$ 49,421	\$ -	\$ -	\$ 400,944
Accrued payroll, taxes and withholdings	1,396,046	-	-	-	1,396,046
Deferred revenue	236,853	-	92,564	-	329,417
TOTAL LIABILITIES	1,984,422	49,421	92,564	-	2,126,407
FUND BALANCES:					
Nonspendable	48,795	10,758	-	-	59,553
Restricted	-	493,975	201,399	1,436,071	2,131,445
Assigned	1,804,852	85,537	-	-	1,890,389
Unassigned	140,674	-	-	-	140,674
TOTAL FUND BALANCES	1,994,321	590,270	201,399	1,436,071	4,222,061
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,978,743	\$ 639,691	\$ 293,963	\$ 1,436,071	\$ 6,348,468

See notes to basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS

JUNE 30, 2011

TOTAL FUND BALANCES		\$ 4,222,061
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Land	\$ 216,256	
Buildings and equipment	38,453,516	
Construction in Progress	763,083	
Accumulated depreciation	<u>(11,634,574)</u>	27,798,281
Prepaid pension expense		9,267,060
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.		
		329,417
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 Assets.		
		306,859
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		(45,601)
Post employment benefits		(58,203)
Other postemployment benefits		(285,266)
Bonds Payable		(34,355,000)
Deferred Gain		(500,000)
Capital lease obligations		<u>(187,201)</u>
TOTAL NET ASSETS		<u>\$ 6,492,407</u>

See notes to 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, 2011

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
REVENUES:					
Local sources:					
Property taxes	\$ 4,378,893	\$ -	\$ 1,834,901	\$ -	\$ 6,213,794
Charges for services	108,625	975,027	760,297	-	1,843,949
Earnings on investments	18,645	1,853	4,704	8,030	33,232
Miscellaneous	14,980	69,527	37,987	183,399	305,893
Intermediate sources	227,382	-	-	-	227,382
State sources	14,978,625	106,942	-	-	15,085,567
Federal sources	911,290	1,658,396	-	219,624	2,789,310
Total revenues	20,638,440	2,811,745	2,637,889	411,053	26,499,127
EXPENDITURES:					
Current:					
Instruction	12,997,552	1,940,561	-	-	14,938,113
Support services	7,554,444	700,789	370	-	8,255,603
Enterprise and community services	-	743,047	-	-	743,047
Facilities acquisition and construction	-	-	-	102,480	102,480
Capital outlay	-	-	-	874,618	874,618
Debt service:					
Principal	-	-	850,000	-	850,000
Interest	-	-	1,757,526	-	1,757,526
Total expenditures	20,551,996	3,384,397	2,607,896	977,098	27,521,387
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	86,444	(572,652)	29,993	(566,045)	(1,022,260)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	332,850	-	-	332,850
Transfers out	(332,850)	-	-	-	(332,850)
Proceeds from Fixed Assets	-	800	-	-	800
Proceeds from Bonds Issued	-	-	-	1,100,000	1,100,000
Proceeds from obligations under capital lease	-	187,546	-	-	187,546
Total other financing sources (uses)	(332,850)	521,196	-	1,100,000	1,288,346
NET CHANGES IN FUND BALANCE	(246,406)	(51,456)	29,993	533,955	266,086
FUND BALANCES, July 1, 2010	2,240,727	641,726	171,406	902,116	3,955,975
FUND BALANCES, June 30, 2011	\$ 1,994,321	\$ 590,270	\$ 201,399	\$ 1,436,071	\$ 4,222,061

See notes to 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, 2011

NET CHANGES IN FUND BALANCES	\$	266,086
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	\$ 1,096,050	
Depreciation	<u>(852,476)</u>	243,574
Bond proceeds are reported as other financing sources in the governmental funds and contribute to the increase in fund balance. In the Statement of Net Assets, however issuing debt increases long-term liabilities.		(1,100,000)
Repayment of principal on general obligation bonds payable is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.		850,000
Amortization of prepaid pension expense.		(551,957)
Amortization of deferred gain on refunding.		35,714
Amortization of bond issuance costs.		23,163
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.		1,422
Capital leases are reported as other financing sources in the governmental funds and contribute to the increase in fund balance. In the Statement of Net Assets, however capital leases increase long-term liabilities.		(187,545)
Payments on capital leases and new capital leases are recorded as a change in liabilities on the Statement of Net Assets.		127,989
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.		(22,380)
Other postemployment benefits are reported in the Statement of Activities but not reported as an expenditure in the governmental funds.		(94,504)
Revenues that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.		<u>(24,242)</u>
CHANGE IN NET ASSETS	\$	<u>(432,680)</u>

See notes to 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, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Local sources:				
Property taxes	\$ 4,000,000	\$ 4,000,000	\$ 4,378,893	\$ 378,893
Charges for services	163,000	163,000	108,625	(54,375)
Earnings on investments	25,000	25,000	18,645	(6,355)
Miscellaneous	5,000	5,000	14,980	9,980
Intermediate sources	115,000	115,000	227,382	112,382
State sources	17,325,000	17,325,000	14,978,625	(2,346,375)
Federal sources	316,000	316,000	911,290	595,290
Total revenues	21,949,000	21,949,000	20,638,440	(1,310,560)
EXPENDITURES:				
Current:				
Instruction	14,905,697	14,905,697	12,997,552	1,908,145
Support services	8,505,737	8,505,737	7,554,444	951,293
Contingency	750,000	750,000	-	750,000
Total expenditures	24,161,434	24,161,434	20,551,996	3,609,438
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,212,434)	(2,212,434)	86,444	2,298,878
OTHER FINANCING (USES):				
Transfers out	(332,850)	(332,850)	(332,850)	-
NET CHANGE IN FUND BALANCE	(2,545,284)	(2,545,284)	(246,406)	2,298,878
FUND BALANCE, July 1, 2010	2,545,284	2,545,284	2,240,727	(304,557)
FUND BALANCE, June 30, 2011	\$ -	\$ -	\$ 1,994,321	\$ 1,994,321

See notes to 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, 2011**

	<u>Budget</u>		<u>Actuals</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources:				
Charges for services	\$ 1,001,858	\$ 1,001,858	\$ 975,027	\$ (26,831)
Earnings on investments	9,400	9,400	1,853	(7,547)
Other	417,800	417,800	69,527	(348,273)
Intermediate sources	350,000	350,000	-	(350,000)
State sources	232,793	232,793	106,942	(125,851)
Federal sources	1,988,863	1,988,863	1,658,396	(330,467)
Total revenues	4,000,714	4,000,714	2,811,745	(1,188,969)
EXPENDITURES:				
Current:				
Instruction	2,668,491	2,668,491	1,940,561	727,930
Support services	1,292,226	942,226	700,789	241,437
Enterprise and community services	814,797	1,164,797	743,047	421,750
Contingency	99,000	99,000	-	99,000
Total expenditures	4,874,514	4,874,514	3,384,397	1,490,117
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(873,800)	(873,800)	(572,652)	301,148
OTHER FINANCING SOURCES:				
Transfers in	332,850	332,850	332,850	-
Sale of Fixed Asset	-	-	800	800
Proceeds from obligations under capital lease	-	-	187,546	187,546
TOTAL OTHER FINANCING SOURCES	332,850	332,850	521,196	188,346
NET CHANGE IN FUND BALANCE	(540,950)	(540,950)	(51,456)	489,494
FUND BALANCE, July 1, 2010	540,950	540,950	641,726	100,776
FUND BALANCE, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 590,270</u>	<u>\$ 590,270</u>

See notes to basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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 Assets 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 assets are reported as restricted when constraints placed on net asset 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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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.

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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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.

For purposes of the government-wide financial statements the District follows FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with or contradict the guidance of Governmental Accounting Standards Board pronouncements. Subsequent private-sector guidance has not been followed as allowed under GASB 20.

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (continued)

and the Oregon Short Term Fund Board. The OSTF issues a separate independent financial statement which can be obtained at The Office of the State Treasurer, 350 Winter Street NE, Suite 100, Salem Oregon. The credit quality rating of this pool is unrated.

Cash with Trustee

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

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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Leases

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

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.

Post Employment 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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. These benefits are generally paid out of the District's General Funds.

Long-term Debt

In the government-wide financial statements long-term debt is reported as liabilities in the Statement of Net Assets. 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.

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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2011

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, 2011, the District's cash, cash equivalents and investments is comprised of the following:

Cash on hand	\$	3,275
Deposits with financial institutions:		
Demand deposits, non-interest bearing		957,183
Demand deposits, interest bearing		191,200
State of Oregon Treasurer's		
Local Government Investment Pool		3,645,681
	\$	<u>4,797,339</u>

Deposits with Financial Institutions

Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance is \$1,379,199. Of these deposits, \$ 500,000 was covered by federal depository insurance. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result the District has no exposure to custodial credit risk for deposits with financial institutions.

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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2011. 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, 2011, the District does not have investments exposed to custodial credit risk.

3. RECEIVABLES

Receivables at June 30, 2011 are comprised of the following:

Property Taxes	\$	366,970
Undistributed Tax Collections		38,630
Grants		835,020
Other		250,490
	\$	<u>1,491,110</u>

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 216,256	\$ -	\$ -	\$ 216,256
Construction in Progress	-	763,083	-	763,083
Total capital assets not being depreciated	216,256	763,083	-	979,339
Capital Assets being depreciated:				
Buildings and improvements	35,188,408	111,535	-	35,299,943
Vehicles and equipment	2,952,452	221,432	(20,311)	3,153,573
Total capital assets being depreciated	38,140,860	332,967	(20,311)	38,453,516
Less accumulated depreciation for:				
Buildings and improvements	(8,450,014)	(700,102)	-	(9,150,116)
Vehicles and equipment	(2,352,395)	(152,374)	20,311	(2,484,458)
Total accumulated depreciation	(10,802,409)	(852,476)	20,311	(11,634,574)
Total capital assets being depreciated, net	27,338,451	(519,509)	-	26,818,942
Total capital assets, net	\$ 27,554,707	\$ 243,574	\$ -	\$ 27,798,281

Equipment with a cost of approximately \$612,233 is financed under capital leases.

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

Program:

Instruction:

Regular programs	\$ 277,707
Special programs	263,772

Support Services:

Student services	44,766
Instructional staff services	16,070
General administration	11,208
School administration	47,167
Business services	137,337
Central activities	23,896

Enterprise and community services:

Food services	24,287
Community services	2,456
Facilities acquisition	3,810

Total	\$ 852,476
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CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**YEAR ENDED JUNE 30, 2011****5. LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2011 are as follows:

	Outstanding July 1, 2010	Issued	Redeemed and Matured	Outstanding June 30, 2011
Obligations under capital leases	\$ 127,645	\$ 187,546	\$ 127,990	\$ 187,201
2001 general obligation bonds; original issue \$25,400,000; interest from 3.75% to 5.50%	650,000	-	650,000	-
2005 general obligation refunding bonds; original issue \$21,300,000; interest from 3.00% to 5.50%	20,920,000	-	-	20,920,000
2005 pension bonds; original issue \$12,695,000; interest from 4.052% to 4.759%	12,535,000	-	135,000	12,400,000
2011 QBSCB Bonds original issue \$1,100,000; interest 5.050%	-	1,100,000	65,000	1,035,000
	34,232,645	1,287,546	977,990	34,542,201
Gain on advance refunding	535,714	-	35,714	500,000
	34,768,359	\$ 1,287,546	\$ 1,013,704	35,042,201
Less: current portion	(873,053)			(1,014,426)
	<u>\$ 33,895,306</u>			<u>\$ 34,027,775</u>

Annual debt service requirements to maturity are as follows:

Year Ended June 30,	Obligations Under Capital Leases	General Obligation Bonds	Pension Bonds	QBSCB Bonds	Total	Bond Interest
2012	\$ 74,426	\$ 700,000	\$ 180,000	\$ 60,000	\$ 1,014,426	\$ 1,729,949
2013	36,178	785,000	230,000	65,000	1,116,178	1,692,677
2014	37,574	940,000	285,000	65,000	1,327,574	1,644,471
2015	39,023	1,000,000	345,000	65,000	1,449,023	1,590,991
2016	-	1,085,000	405,000	65,000	1,555,000	1,522,322
2017-2021	-	7,410,000	3,160,000	325,000	10,895,000	6,225,585
2022-2026	-	9,000,000	5,635,000	325,000	14,960,000	2,727,049
2027-2028	-	-	2,160,000	65,000	2,225,000	137,248
	<u>\$ 187,201</u>	<u>\$ 20,920,000</u>	<u>\$ 12,400,000</u>	<u>\$ 1,035,000</u>	<u>\$ 34,542,201</u>	<u>\$ 17,270,292</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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

5. LONG-TERM DEBT (continued)

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 several vehicles with an original cost of \$ 612,233. Interest rates range from 4.50% to 5.54% for these leases.

6. INTERFUND TRANSFERS

The General Fund transferred \$332,850 of resources to the Special Revenue Fund for matching as required by grant award.

7. RETIREMENT PLANS

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

Both Oregon PERS plans provide retirement and disability benefits, postemployment healthcare benefits, annual cost-of-living adjustment, 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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

7. RETIREMENT PLANS (Continued)

Oregon Public Employees Retirement System (continued)

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, 2011, were 3.56% and 4.08%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Contributions for 2011 were approximately \$ 651,118 for OPERF and OPSRP. Total contributions for 2010 and 2009 were approximately \$ 829,089 and \$ 902,000 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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

7. RETIREMENT PLANS (Continued)

Early Retirement Plan (Continued)

4. Employees exercising this option must give notice in writing to the Personnel Office at least sixty (60) calendar days prior to the retirement date.
5. Employees electing to take part in this retirement program may continue group medical and dental insurance coverage at their own expense subject to the approval of the insurance carrier.
6. Any teacher on this program who files for unemployment benefits shall forfeit any and all benefits.

B. INCENTIVE BASED STIPEND

1. Employees who have been employed with the District a minimum of ten years and have accrued a minimum of 720 hours of sick leave in the District may qualify for this stipend. Only sick leave hours earned in the District may be used to determine benefit levels and qualification.
2. Employees who are at least fifty-two (52) years old and wish to retire or resign, may qualify for the following stipend:

720 sick leave hours = \$500.00 for a maximum of 48 months
900 sick leave hours = \$600.00 for a maximum of 48 months
1,200 sick leave hours = \$750.00 for a maximum of 48 months
3. Employees who qualify for both the Retirement Stipend and the Incentive Based Stipend may only select one from which to participate. Employees who elect to use the PERS formula that includes the transfer of accrued sick leave, will forfeit any hours transferred for PERS calculations.
4. Payment shall be terminated upon death of the employee.
5. It is the responsibility of the employee to notify the District no less than sixty (60) calendar days prior to their intent to receive the Incentive Based Stipend.
6. Employees electing to take part in this Stipend may continue group medical and dental insurance coverage at their own expense subject to the approval of the insurance carrier.
7. Employees who 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, 2011

7. RETIREMENT PLANS (Continued)

Early Retirement Plan (Continued)

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 entity-wide financial statements. There are no administrative costs attributable to the plan.

Annual Pension Cost and Net Pension Cost - The District's annual pension cost and actuarial net pension asset for the year ended June 30, 2011, 2010 and 2009 are summarized as follows:

	Year Ended June 30,		
	2011	2010	2009
Annual required contribution	\$ 151,236	\$ 137,015	\$ 135,603
Interest on net pension obligation	1,343	664	-
Annual pension cost	152,579	137,679	135,603
Contributions made	(130,199)	(119,548)	(117,911)
Increase in net pension obligation	22,380	18,131	17,692
Net pension obligation - beginning of year	35,823	17,692	-
Net pension obligation - end of year	<u>\$ 58,203</u>	<u>\$ 35,823</u>	<u>\$ 17,692</u>

The annual required contribution (ARC) for the year ended June 30, 2011 was determined as part of a July 1, 2010 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 post retirement benefit increases.

The net pension obligation is amortized as a level percentage of payroll over eight years.

The District does not issue a stakeholder report for their plan.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

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. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees.

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

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

Annual OPEB Cost and Net OPEB Obligation – The District's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the guidelines of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the District's annual OPEB obligation at the end of the years ended June 30, 2011, 2010 and 2009.

	Year Ended June 30,		
	2011	2010	2009
Annual required contribution	\$ 135,630	\$ 123,180	\$ 147,746
Interest on net OPEB obligation	7,153	3,856	-
Adjustments to annual required contribution	(8,049)	(4,453)	-
Annual OPEB cost	134,734	122,583	147,746
Contributions made	(40,230)	(48,474)	(31,093)
Increase in net OPEB obligation	94,504	74,109	116,653
Net OPEB obligation - beginning of year	190,762	116,653	-
Net OPEB obligation - end of year	<u>\$ 285,266</u>	<u>\$ 190,762</u>	<u>\$ 116,653</u>

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Postemployment Health Insurance Subsidy (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Contributions</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2009	\$ 147,746	\$ 31,093	21%	\$ 116,653
2010	\$ 123,180	\$ 48,474	39%	\$ 190,762
2011	\$ 135,630	\$ 40,230	30%	\$ 285,266

Funding Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date, for the period ending July 1, 2009 through June 30, 2011; the Districts actuarial accrued liability (AAL) for benefits was \$1,061,515, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,061,515. The schedule of funding progress, presented as required supplementary information following the Notes to Basic Financial Statements, will eventually present multi-year trend information whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits

Retirement Health Insurance Account

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Retirement Health Insurance Account (continued)

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 0.29% 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, 2009, 2010 and 2011 were approximately \$32,200, \$30,275, 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.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2011

10. COMMITMENTS AND CONTINGENCIES

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

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

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

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, 2011
Nonspendable:					
Inventory	\$ 437	\$ 10,758	\$ -	\$ -	\$ 11,195
Prepaid items	48,358	-	-	-	48,358
Restricted for:					
Capital projects	-	-	-	1,436,071	1,436,071
College Scholarships	-	87,824	-	-	87,824
Debt Service	-	-	201,399	-	201,399
Federal, State and private grants	-	3,800	-	-	3,800
High School Building	-	48,347	-	-	48,347
Student Activities	-	266,363	-	-	266,363
Technology	-	87,641	-	-	87,641
Assigned to:					
Appropriated ending fund balance	1,804,852	-	-	-	1,804,852
Athletics	-	1,604	-	-	1,604
Estacada Alternative School	-	45,153	-	-	45,153
Insurance reserve	-	32,368	-	-	32,368
Maintenance equipment replacement	-	141	-	-	141
Transportation Bus Replacement	-	6,271	-	-	6,271
Unassigned	140,674	-	-	-	140,674
	<u>\$ 1,994,321</u>	<u>\$ 590,270</u>	<u>\$ 201,399</u>	<u>\$ 1,436,071</u>	<u>\$ 4,222,061</u>

REQUIRED SUPPLEMENTAL INFORMATION

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

SUPPLMENTAL INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR
OTHER POSTEMPLOYMENT BENEFITS

YEAR ENDED JUNE 30, 2011

<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	-	N/A	N/A
7/1/2009	\$ -	\$ 972,754	\$ 972,751	-	N/A	N/A
7/1/2010	\$ -	\$ 1,061,515	\$ 1,061,515	-	N/A	N/A

SUPPLEMENTAL 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, 2011**

	<u>Budget</u>		<u>Actuals</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources:				
Taxes - current year's levy	\$ 1,723,550	\$ 1,723,550	\$ 1,766,972	\$ 43,422
Taxes - prior years' levies	45,000	45,000	67,929	22,929
Earnings on investments	2,000	2,000	4,704	2,704
Services provided to other funds	1,221,502	1,221,502	760,297	(461,205)
Miscellaneous	-	-	37,987	37,987
Total revenues	<u>2,992,052</u>	<u>2,992,052</u>	<u>2,637,889</u>	<u>(354,163)</u>
EXPENDITURES:				
Support services:				
Other Staff Services	2,500	2,500	370	2,130
Debt service:				
Principal	884,000	884,000	850,000	34,000
Interest	<u>2,117,552</u>	<u>2,117,552</u>	<u>1,757,526</u>	<u>360,026</u>
Total expenditures	<u>3,004,052</u>	<u>3,004,052</u>	<u>2,607,896</u>	<u>396,156</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(12,000)	(12,000)	29,993	41,993
FUND BALANCE, July 1, 2010	<u>12,000</u>	<u>12,000</u>	<u>171,406</u>	<u>159,406</u>
FUND BALANCE, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,399</u>	<u>\$ 201,399</u>

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, 2011**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Local sources:				
Earnings on investments	\$ 5,050	\$ 5,050	\$ 8,030	\$ 2,980
Contributions & Donations	297,000	297,000	183,399	(113,601)
Federal Sources	1,000,000	1,000,000	219,624	(780,376)
Total Local Revenue	1,302,050	1,302,050	411,053	(890,997)
EXPENDITURES:				
Facilities acquisition and construction:				
Building acquisition, construction and improvement services:				
Purchased services	412,050	412,050	58,712	353,338
Supplies and materials	365,000	365,000	43,768	321,232
Capital outlay	1,500,000	1,500,000	874,618	625,382
Total facilities acquisition and construction	2,277,050	2,277,050	977,098	1,299,952
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(975,000)	(975,000)	(566,045)	408,955
OTHER FINANCING SOURCES:				
Proceeds from Bonds Issued	-	-	1,100,000	1,100,000
NET CHANGE IN FUND BALANCE	(975,000)	(975,000)	533,955	1,508,955
FUND BALANCE, July 1, 2010	975,000	975,000	902,116	(72,884)
FUND BALANCE, June 30, 2011	\$ -	\$ -	\$ 1,436,071	\$ 1,436,071

CLACKAMAS SCHOOL DISTRICT NO. 108

Estacada, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2011

	<u>Tax Year</u>	<u>Uncollected July 1, 2010</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>
<u>GENERAL FUND:</u>				
Current		\$ -	\$ 4,497,791	\$ (109,456)
Prior	2009-10	163,679	-	243
	2008-09	72,674	-	44
	2007-08	27,503	-	(4)
	2006-07	8,971	-	10
	2005-06	1,833	-	1
	2004-05	1,308	-	-
	2003-04	1,026	-	-
	2002-03	1,357	-	-
	2001-02	766	-	-
	and prior	2,158	-	-
Total Prior		281,275	-	294
Total General Fund		281,275	4,497,791	(109,162)
<u>DEBT SERVICE FUND:</u>				
Current		-	1,887,238	(45,927)
Prior	2009-10	66,421	-	99
	2008-09	28,630	-	17
	2007-08	9,580	-	(2)
	2006-07	3,617	-	4
	2005-06	874	-	-
	2004-05	492	-	-
	2003-04	390	-	-
	2002-03	416	-	-
	2001-02	620	-	-
Total Debt Service Fund		111,040	1,887,238	(45,809)
TOTAL ALL FUNDS		\$ 392,315	\$ 6,385,029	\$ (154,971)

Interest	Adjustments	Collections	Uncollected June 30, 2011
\$ 2,430	\$ (34,977)	\$ 4,211,330	\$ 144,458
8,106	(10,605)	97,077	64,346
7,820	(3,178)	43,181	34,179
5,652	(1,127)	22,287	9,737
2,245	(587)	7,892	2,747
236	(215)	685	1,170
157	(226)	416	823
30	(339)	68	649
60	(757)	128	532
19	(331)	37	417
(3,241)	(506)	(3,197)	1,608
21,084	(17,871)	168,574	116,208
23,514	(52,848)	4,379,904	260,666
1,020	(14,676)	1,767,041	60,614
3,289	(4,304)	39,394	26,111
3,081	(1,252)	17,011	13,465
1,969	(392)	7,764	3,391
905	(237)	3,182	1,107
112	(102)	326	558
59	(85)	156	310
11	(129)	26	246
19	(232)	39	164
15	(267)	30	338
10,480	(21,676)	1,834,969	106,304
\$ 33,994	\$ (74,524)	\$ 6,214,873	\$ 366,970

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

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

YEAR ENDED JUNE 30, 2011

SUPPLEMENTAL INFORMATION, 2010-2011

School District Business Managers and Auditors:

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

Parts 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	\$ 476,296
Function 2550	\$ 1,870

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-

SINGLE AUDIT SECTION

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

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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clackamas County School District No. 108 as of and for the year ended June 30, 2011, which collectively comprise Clackamas County School District's basic financial statements and have issued our report thereon dated December 12, 2011. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clackamas County School District's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.



We noted certain matters that we reported to management of Clackamas County School District No. 108, in a separate letter dated December 12, 2011.

This report is intended solely for the information and use of the board, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilcox Arredondo & Co.

Certified Public Accountants
December 12, 2011



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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited Clackamas County School 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 Clackamas County School District's major federal programs for the year ended June 30, 2011. Clackamas County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clackamas County School District's management. Our responsibility is to express an opinion on Clackamas County School District's compliance based on our audit.

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 Clackamas County School 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. Our audit does not provide a legal determination on Clackamas County School District's compliance with those requirements.

In our opinion, Clackamas County School District No. 108 complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Clackamas County School District No. 108, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Clackamas County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Clackamas County School 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 11-01. A *significant deficiency in internal control over compliance* is a deficiency, or a 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.

Clackamas County School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the school board, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilcox Arredondo & Co.

Certified Public Accountants
December 12, 2011

Clackamas County School District No. 108
Estacada Oregon
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

	Grant Period	CFDA Number	Expenditures
<u>U.S. Department of Education</u>			
Passed through Oregon State Department of Education:			
Title I, Part A Cluster			
Title I ESEA	2009-2010	84.010	\$ 16,777
	2010-2011	84.010	293,315
	Total		310,092
ARRA - State Fiscal Stabilization Fund Title I	2009-2011	84.389	10,169
	Total		320,261
Applied Academic R & D Project	2010-2011	84.048	5,955
Title IIA Improving Teacher Quality			
	2009-2010	84.367	16,900
	2010-2011	84.367	87,309
	Total		104,209
Safe and Drug Free Sch	2010-2011	81.186	113
Title III Language Instr			
	2009-2010	84.365	4,512
	2010-2011	84.365	14,285
	Total		18,797
Ed Jobs Fund	2010-2011	84.410	552,874
ARRA - State Fiscal Stabilization Fund			
	2009-2010	84.394	513
	2010-2011	84.394	304,723
	Total		305,236
Special Education Cluster			
IDEA Part B			
	2009-2010	84.027	4,369
	2010-2011	84.027	446,730
			451,099
SPR & I Grant	2009-2010	84.027	390
ARRA - State Fiscal Stabilization Fund IDEA	2009-2011	84.391	180,906
	Total		632,395
Passed through Clackamas Education Service District			
Title 1C Migrant Education	2010-2011	84.011	557
Career Technical Education			
	2009-2010	84.048	1,100
	2010-2011	84.048	20,374
	Total		21,474
Passed through Oregon Department of Human Services			
Vocational Rehabilitation Grants To States	2010-2011	84.126A	38,682
Total U.S. Department of Education			2,000,553
<u>U.S. Department of Agriculture</u>			
Passed through Oregon State Department of Education:			
Child Nutrition Cluster			
Commodities	2010-2011	10.555	39,746
Commodities - Summer Food	2010-2011	10.559	121
National School Breakfast	2010-2011	10.553	108,352
National School Lunch	2010-2011	10.555	334,883
Summer Food - Food	2010-2011	10.559	25,873
Total U.S. Department of Agriculture			508,975
<u>U.S. Department of Energy</u>			
Passed through Oregon Department of Energy:			
State Energy Program	2010-2011	84.041	219,624
Total U.S. Department of Energy			219,624
<u>U.S. Department of Labor, Employment & Training Administration</u>			
Passed through Clackamas Education Service District			
WIA Youth Services	2010-2011	17.259	6,979
Total U.S. Department of Labor, Employment & Training Administration			6,979
<u>Federal Grants</u>			
Passed through Clackamas County:			
Federal Forest Fees	2010-2011	10.665	53,179
Total Federal Financial Assistance			\$ 2,789,310

Notes:

1. This schedule is prepared on the modified accrual basis of accounting.
2. 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, 2011

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

84.410
84.394
81.041
84.027, 84.391

NAME OF PROGRAM OR CLUSTER

Ed Jobs Funds
State Fiscal Stabilization Fund
Biomass Energy Upgrade
IDEA 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, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

REPORTABLE CONDITION: None

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 11-01:

Federal Program:	IDEA
Federal Agencies:	Department of Education
Award Year:	2010-11
Pass Through Entity:	State of Oregon, Department of Education
Criteria:	Circular A-87 requires employee's payroll hours charged to the above grants to be approved by management semi-annual for those working 100% on the grant and monthly for those working less than 100% on the grant.
Condition:	For the fiscal year 2010-11, semi-annual certification for payroll charges to above grant was not on file.
Context:	The District used employee's budget allocation to charge employees to the above grant.
Effect:	Without the documented semi-annual certification for payroll hours, The District has no way of documenting time and efforts to the Department of Education. There are no questioned costs, only documentation issues.
Corrective Action Plan:	The District agrees with the finding and has communicated to schools and departments of the need to used timesheets for split funded employees.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2011

SECTION IV - SUMMARY OF PRIOR AUDIT FINDING

Finding 10-01:

Audit Finding: Journal entries for recording adjustments in the local government investment pool account were not reviewed and approved by authorized officials.

Corrective Action: The District has implemented a procedure requiring a review and approval of all local government investment pool account related journal entries by someone other than the preparer

Finding 10-02

Audit Finding: Time and efforts documentation for payroll charges to IDEA Cluster was not properly documented by management semi-annual certification or by monthly time records.

Corrective Action: Please see 11-01 finding. This is an ongoing finding.

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

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CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
REQUIRED BY OREGON STATE REGULATIONS

We have audited the basic financial statements of the Clackamas County School District No. 108 as of and for the year ended June 30, 2011, and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Clackamas County School District No. 108'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 Clackamas County School District No. 108 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 Clackamas County School District No. 108'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 Clackamas County School District No. 108's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clackamas County School District No. 108'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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management of Clackamas County School District No. 108, in a separate letter dated December 12, 2011.

This report is intended solely for the information and use of the board of directors and management of Clackamas County School District No. 108 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 12, 2012