

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

Financial Statements and
Supplementary Information

Year Ended June 30, 2017

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

OFFICIALS OF THE DISTRICT

June 30, 2017

BOARD OF DIRECTORS

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

DISTRICT ADMINISTRATION

Marla Stephenson, Superintendent, Fiscal Year 2016-2017
Ryan Carpenter, Superintendent, Fiscal Year 2017-2018
Donna Cancio, Executive Director - Administrative Services, Fiscal Year 2016-2017
Nick Hogan, Business Manager, Fiscal Year 2017-2018

DISTRICT ADDRESS

255 NE Sixth Avenue
Estacada, Oregon 97023

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

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Estacada, Oregon

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Clackamas County School District No. 108, Estacada, Oregon (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2017, and, the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As described in Note 12 to the financial statements, during the year ended June 30, 2017, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement 77, *Tax Abatement Disclosures*, and GASB 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as defined in the table of contents, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Reports on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 28, 2017, on our consideration of the District's internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 28, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**ESTACADA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The management of Estacada School District (the District) presents this narrative overview to facilitate both a short-term and a long-term analysis of the financial activities of the District for the fiscal year ended June 30, 2017. This Management's Discussions and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed at the date of the independent auditor's report.

Financial Highlights

- In the government-wide statements, the liabilities and deferred inflows of the District exceeded its assets and deferred outflows at June 30, 2017 by \$3,391,460, resulting in an overall "Net Position" of negative \$3,391,460. This negative net position is due in part to the implementation of recent Government Accounting Standards Board (GASB) pronouncements and the recognition of the District's proportionate share of the PERS net pension liability in the financial statements as explained further on page 7 of this MD&A. Net Position increased by a total of \$475,035 during the 2016-17 fiscal year.
- The District's governmental funds reported a combined ending fund balance of \$7,549,056 at the end of fiscal year 2016-17.
- At the end of fiscal year 2016-17 ending fund balance in the General Fund was \$3,220,396 which equals approximately 12.7% of General Fund expenditures and transfers out.
- On June 30, 2017, the District's total outstanding debt was \$41,876,106 of which the majority was made up of General Obligation bonds of \$15,205,000 and Pension Obligation Bonds \$10,480,000. See Note 5 in financial statement Notes for more information about the District's long-term debt.

Overview of the Financial Statements

This following discussion and analysis is intended to serve as an introduction to the District's basic financial statements and other required supplementary information. The District's basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

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. The government-wide financial statements can be found on pages 16 and 17 of this report.

The *Statement of Net Position* presents information on all of the District's assets and liabilities as of the date on the statement. Total Net Position represents the assets remaining after the liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed over the most recent fiscal year by tracking revenues, expenses and other transactions that increase or decrease net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods, such as uncollected property taxes.

On the *Statement of Activities*, the District's activities are shown separately by the District's major functions such as instruction, supporting services, and community services. District activities are financed primarily through Oregon's State School Fund, property taxes, and other intergovernmental revenues.

ESTACADA SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Effect of PERS Unfunded Liability: Recent statements issued by the Governmental Accounting Standards Board (GASB) require that the government-wide financial statements incorporate the District's proportionate share of the state-wide liabilities related to PERS, including the Unfunded Actuarial Liability (UAL). The intent of these GASB requirements is to capture the true long-term liability for pension costs, but the actual result is extreme volatility in the District's Statement of Net Position. Due to highly variable annual investment returns (and other factors), the system-wide unfunded actuarial liability can change dramatically from year to year, causing significant changes in the School District's reported Net Position. While inclusion of the PERS UAL in the Statement of Net Position reflects a long-term financial reality, it is beyond the ability of any single employer to influence the PERS UAL and it obscures the financial results attributable to School District operations and management. The District's proportionate share of net pension liability (the PERS UAL) is \$12,964,943 as of June 30, 2017, as reported on the Statement of Net Position.

Fund financial statements. The fund financial statements provide more detailed information about the District's funds. 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. The School Board sets appropriations each year within every fund for instruction, support services, community services, facilities, debt service, transfers, contingency, and unappropriated ending fund balance. These appropriations establish the legal limits for expenditures of the District as established by Oregon Revised Statutes.

Unlike the government-wide financial statements, the fund financial statements focus on near-term inflows and outflows of available resources to assist users in evaluating a government's near-term financial requirements. Because the focus of the fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds in the fund financial statements with similar information presented in the government-wide financial statements. The *Governmental Fund Balance Sheet* and the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* provide reconciliations to the District-wide statements to facilitate these comparisons.

The District has four major funds: the General Fund, Special Revenue Fund, Debt Service Fund, and the Capital Projects fund. Financial statements for these funds are included on pages 20 through 23. The budget comparison statements are shown on pages 24, 25, 54 and 55. The District does not have any funds that are considered "business-type" activities.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 28 to 47 of this report.

Government-Wide Financial Analysis

Statement of Net Position: Significant changes in the District's Statement of Net Position from the prior year are as shown on the next page. As noted earlier, Net Position may serve as a useful indicator of a government's financial position over time.

Capital assets, which consist of the District's land, buildings, building improvements, site improvements, vehicles and equipment represent approximately 72% of total assets. The remaining assets consist mainly of cash, investments, and taxes receivable.

The District's largest liability (approximately 96% of total liabilities) is for the repayment of long-term debt including General Obligation bonds, PERS bonds, Qualified School Construction Bonds, and capital lease obligations. Current liabilities consist primarily of accounts payables and payroll benefits payable.

**ESTACADA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As noted above, a significant portion of the District's Net Position reflects its investment in capital assets (e.g. land, buildings, vehicles and equipment). 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.

A comparative summary of the District's Net Position as of June 30, 2016 and 2017 is as follows.

Net Position at Fiscal Year-End June 30, 2017 and 2016			
	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>June 30, 2017</u>	<u>June 30, 2016⁽¹⁾</u>	
Current and other assets	\$ 9,659,376	\$ 8,407,185	\$ 1,252,191
Capital assets	<u>25,237,866</u>	<u>25,785,739</u>	<u>(547,873)</u>
Total Assets	<u>34,897,242</u>	<u>34,192,924</u>	<u>704,318</u>
Deferred outflows of resources	<u>6,430,350</u>	<u>1,042,307</u>	<u>5,388,043</u>
Current liabilities	1,688,585	1,324,419	364,166
Long-term debt	<u>41,876,106</u>	<u>35,727,520</u>	<u>6,148,586</u>
Total Liabilities	<u>43,564,691</u>	<u>37,051,939</u>	<u>6,512,752</u>
Deferred inflows of resources	<u>1,154,361</u>	<u>2,049,787</u>	<u>(895,426)</u>
Net Position:			
Net investment in capital assets	8,638,956	8,022,225	616,731
Restricted for debt service	3,426,994	2,449,096	977,898
Unrestricted	<u>(15,457,410)</u>	<u>(14,337,816)</u>	<u>(1,119,594)</u>
Total Net Position	<u>\$ (3,391,460)</u>	<u>\$ (3,866,495)</u>	<u>\$ 475,035</u>

(1) Restated

The District's total Net Position increased \$475,035 during fiscal year 2016-17.

Statement of Activities:

General Revenues account for the vast majority of District resources. Property taxes of \$5,737,119 levied for general purposes and State School Fund (SSF) payments of \$18,873,809 are the largest of these resources. Each Oregon school district receives money from the state based on an average weighted student membership formula (ADMw). The formula multiplies a dollar amount per student (established by the legislature every two-years) by the District's ADMw. As a safety net, districts may utilize the higher of their current year ADMw or the most recent year's actual ADMw in the calculation. Ad Valorem Taxes, Common School Fund and Federal Forest Fees, special student weighting factors, and other factors are included in the SSF formula.

**ESTACADA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

A comparative summary of the District's Statement of Activities for the years ended June 30, 2016 and 2017 is as follows.

**Changes in Net Position (Statement of Activities)
For the Year Ended June 30, 2017 and 2016**

	Governmental Activities		Increase (Decrease)
	June 30, 2017	June 30, 2016	
Revenues:			
Program Revenues:			
Charges for services	\$ 735,571	\$ 706,277	\$ 29,294
Operating grants and contributions	2,235,462	2,872,361	(636,899)
Capital grants & contributions	65,325	56,060	9,265
General Revenues:			
Property taxes levied for general purpose	5,737,119	5,316,782	420,337
Property taxes levied for debt service	2,303,133	1,997,276	305,857
State school fund - general fund	18,873,809	17,299,656	1,574,153
Unrestricted state and local sources	295,474	478,939	(183,465)
Earnings on investments	118,315	56,863	61,452
Miscellaneous	213,226	346,293	(133,067)
Total Revenues	<u>30,577,434</u>	<u>29,130,507</u>	<u>1,446,927</u>
Expenses:			
Instruction	18,021,789	19,689,747	(1,667,958)
Support Services	9,788,867	9,823,503	(34,636)
Enterprises and Community Services	783,135	899,700	(116,565)
Facilities Acquisition and Construction	63,911	-	63,911
Interest on Long-term debt	1,444,696	1,484,658	(39,962)
Total Expenses	<u>30,102,399</u>	<u>31,897,608</u>	<u>(1,795,209)</u>
Change in net position	475,035	(2,767,101)	3,242,136
Net position - beginning	(2,558,885)	1,587,467	(4,146,352)
Restated per GASB 73 & 75 Implementation	<u>(1,307,610)</u>	<u>(1,379,251)</u>	<u>71,641</u>
Net position - beginning, as restated	<u>(3,866,495)</u>	<u>208,216</u>	<u>(4,074,711)</u>
Net position - ending	<u>\$ (3,391,460)</u>	<u>\$ (2,558,885)</u>	<u>\$ (832,575)</u>

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 short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, ending fund balance may serve as a useful measure of the District's currently available resources at the end of a fiscal year.

As of June 30, 2017 the District's governmental funds reported total ending fund balances of \$7,549,056 an increase of \$843,746 from the prior year.

**ESTACADA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund: The General Fund is the primary operating fund of the District. As of June 30, 2017, General Fund total ending fund balance was \$3,220,396, which is a decrease of \$413,965 from the prior year. The decrease in General Fund ending fund balance was due in part to a transfer of \$629,260 from the General Fund to the Capital Projects fund to enable the District to start on a capital improvement plan to address some of its building and infrastructure needs with its existing resources.

Special Revenue Fund: The Special Revenue Fund is used by the District for dedicated revenue sources for activities such as College Scholarships, Food Service, and Student Body funds. Special Revenue Fund revenues in 2016-17 totaled \$2,897,068 which represents approximately 9% of total revenues for all District funds.

Capital Projects Fund: The Capital Projects Fund is being used to accumulate resources to start on a capital improvement plan to address some of the District's building and infrastructure needs with existing resources. The primary revenue sources for the Capital Projects Fund are the Construction Excise Tax, transfers from the General Fund, and interest earnings.

General Fund Budgetary Highlights

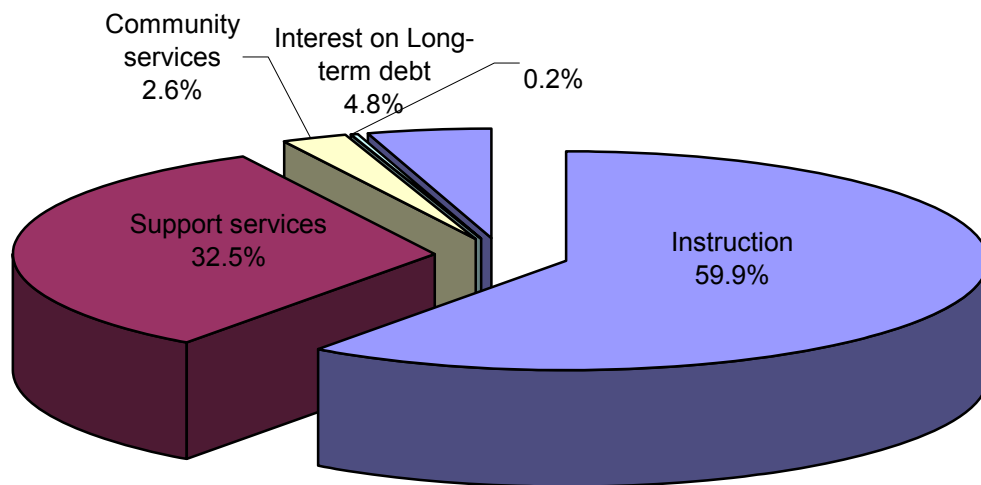
During the year, General Fund expenditures were less than budgeted amounts by \$2,997,374, revenues came in at 92,809 less than budgeted revenues, and actual revenues exceeded actual expenditures by \$1,102,514 (before transfers out).

District-Wide Budgetary Highlights

Expenses. Expenses related to governmental activities are presented in five broad functional categories as shown below. Costs of direct classroom instruction activities account for the majority of the total expenses of \$18,021,789. The other major component is support services which accounts for student support staff, general and school administration, and business services.

2016-17 expenses by function as shown on the district-wide Statement of Activities for governmental activities are summarized as shown in the following chart:

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



**ESTACADA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets includes land, buildings, vehicles, and equipment. As of June 30, 2017, the District had invested \$25,237,866 in capital assets, net of accumulated depreciation. Net capital assets decreased during the year by \$547,873 primarily from annual depreciation of buildings and equipment. A comparative summary of the District's capital assets as of June 30, 2016 and June 30, 2017 is as follows:

Capital Assets (Net of Depreciation)			
June 30, 2017 and 2016			
	<u>Governmental Activities</u>		Increase (Decrease)
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	
Land	\$ 216,256	\$ 216,256	\$ -
Construction in Progress	4,390	31,439	(27,049)
Capital Assets Being Depreciated			
Building and improvements	37,644,018	37,593,028	50,990
Vehicles/equipment	4,067,241	3,756,207	311,034
Total Assets Being Depreciated	<u>41,711,259</u>	<u>41,349,235</u>	<u>362,024</u>
Less Accumulated Depreciation for			
Buildings and improvements	(13,436,938)	(12,696,947)	(739,991)
Vehicles/equipment	(3,257,101)	(3,114,244)	(142,857)
Total Accumulated Depreciation	<u>(16,694,039)</u>	<u>(15,811,191)</u>	<u>(882,848)</u>
Total Capital Assets Being Depreciated,	<u>25,017,220</u>	<u>25,538,044</u>	<u>(520,824)</u>
Total Capital Assets, net	<u>\$ 25,237,866</u>	<u>\$ 25,785,739</u>	<u>\$ (547,873)</u>

Additional information on the District's capital assets may be found in note 4 to the financial statements.

Long-term debt. At the end of the 2016-17 fiscal year, the District had total long-term debt outstanding of \$41,876,106 consisting of general obligation bonds, Pension Obligation Bonds, Qualified School Construction Bonds, and capital leases. During the year, the District's total long-term debt obligation increased by \$6,148,586 due primarily to the addition of \$7,708,930 of net pension liability (the District's proportionate share of the state-wide PERS net pension liability) as further explained in Notes 5 and 7 to the financial statements.

Additional information on the District's long-term debt obligations may be found in note 5 to the financial statements.

Economic Factors and Next Year's Budget

The most significant economic factors for the District are student enrollment and the State of Oregon's State School Fund. The State School Fund is based on student enrollment and includes a General Purpose Grant, a Transportation Grant, a Facilities Grant and certain local revenues. For the year ended June 30, 2017, the State School Fund provided approximately 77% of the District's total General Fund revenue.

The District's Budget Committee and School Board considered these factors while preparing the District's budget for the 2017-18 fiscal year.

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 Avenue, Estacada, Oregon, 97023.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash, cash equivalents and investments	\$ 8,063,885
Cash with trustee	17,582
Property taxes and other receivables	1,520,293
Prepays	36,051
Inventory	21,565
Land	216,256
Buildings and equipment, net of accumulated depreciation	<u>25,021,610</u>
TOTAL ASSETS	<u>34,897,242</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Pension	<u>6,430,350</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,430,350</u>
<u>LIABILITIES:</u>	
Accounts payable	417,851
Accrued payroll, taxes and withholdings	1,236,351
Accrued interest payable	34,383
Long-term debt:	
Net pension obligation	767,960
Proportionate share of net pension liability	12,964,943
Other postemployment benefits	1,350,007
Due within one year	2,072,826
Due in more than one year	<u>24,720,370</u>
TOTAL LIABILITIES	<u>43,564,691</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Deferred gain on refunding	285,715
Pension	<u>868,646</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,154,361</u>
<u>NET POSITION:</u>	
Net investment in capital assets	8,638,956
Restricted	3,048,557
Unrestricted	<u>(15,078,973)</u>
TOTAL NET POSITION	<u>\$ (3,391,460)</u>

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 10
Estacada, Oregon

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Instruction:	\$ 18,021,789	\$ 565,458	\$ 594,319	\$ -	\$ (16,862,012)
Support services:	9,788,867	38,941	1,189,964	65,325	(8,494,637)
Enterprise and community services:	783,135	131,172	451,179	-	(200,784)
Facilities acquisition and construction:	63,912	-	-	-	(63,912)
Interest on long-term debt	1,444,696	-	-	-	(1,444,696)
Total	<u>\$ 30,102,399</u>	<u>\$ 735,571</u>	<u>\$ 2,235,462</u>	<u>\$ 65,325</u>	<u>(27,066,041)</u>
GENERAL REVENUES:					
					5,737,119
					2,303,133
					18,873,809
					295,474
					118,315
					<u>213,226</u>
					Total General Revenues
					<u>27,541,076</u>
					CHANGE IN NET POSITION
					475,035
					NET POSITION - beginning, as restated
					<u>(3,866,495)</u>
					NET POSITION - ending
					<u>\$ (3,391,460)</u>

See notes to the basic financial statements.

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FUND FINANCIAL STATEMENTS

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
ASSETS					
Cash, cash equivalents and investments	\$ 4,470,700	\$ 744,516	\$ 699,440	\$ 2,149,229	\$ 8,063,885
Cash with trustee	-	-	17,582	-	17,582
Property taxes and other receivables	526,384	816,478	139,956	37,475	1,520,293
Prepays	36,051	-	-	-	36,051
Inventory	-	21,565	-	-	21,565
TOTAL ASSETS	<u>\$ 5,033,135</u>	<u>\$ 1,582,559</u>	<u>\$ 856,978</u>	<u>\$ 2,186,704</u>	<u>\$ 9,659,376</u>
LIABILITIES:					
Accounts payable	\$ 250,771	\$ 149,272	\$ -	\$ 17,808	\$ 417,851
Accrued payroll, taxes and withholdings	1,236,351	-	-	-	1,236,351
TOTAL LIABILITIES	<u>1,487,122</u>	<u>149,272</u>	<u>-</u>	<u>17,808</u>	<u>1,654,202</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	325,617	-	130,501	-	456,118
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>325,617</u>	<u>-</u>	<u>130,501</u>	<u>-</u>	<u>456,118</u>
FUND BALANCES:					
Nonspendable	36,051	21,565	-	-	57,616
Restricted	-	494,780	384,886	2,168,891	3,048,557
Assigned	1,500,000	938,047	341,591	-	2,779,638
Unassigned	1,684,345	(21,105)	-	5	1,663,245
TOTAL FUND BALANCES	<u>3,220,396</u>	<u>1,433,287</u>	<u>726,477</u>	<u>2,168,896</u>	<u>7,549,056</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,033,135</u>	<u>\$ 1,582,559</u>	<u>\$ 856,978</u>	<u>\$ 2,186,704</u>	<u>\$ 9,659,376</u>

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

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

JUNE 30, 2017

TOTAL FUND BALANCES		\$	7,549,056
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Land	\$	216,256	
Buildings and equipment		41,715,649	
Accumulated depreciation		<u>(16,694,039)</u>	25,237,866
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.			
			456,118
The proportionate share of the net pension liability is not reported as a liability in the governmental funds.			
			(12,964,943)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the governmental funds			
Deferred outflows of resources related to pensions			6,430,350
Deferred inflows of resources related to pensions			(868,646)
Deferred inflows of resources related to gain on refunding			(285,715)
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			(34,383)
Pension obligation			(767,960)
Other postemployment benefits			(1,350,007)
Bonds payable			(26,315,000)
Capital lease obligations			<u>(478,196)</u>
TOTAL NET POSITION		\$	<u><u>(3,391,460)</u></u>

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
REVENUES:					
Local sources	\$ 5,759,332	\$ 699,393	\$ 3,373,924	\$ 177,512	\$ 10,010,161
Intermediate sources	467	455,127	-	-	455,594
State sources	19,191,453	485,074	-	-	19,676,527
Federal sources	5,220	1,243,908	-	-	1,249,128
Earnings on investments	64,886	13,566	20,072	19,584	118,108
Total Revenues	25,021,358	2,897,068	3,393,996	197,096	31,509,518
EXPENDITURES:					
Current:					
Instruction	15,855,552	1,366,538	-	-	17,222,090
Support services	8,030,047	1,238,280	-	-	9,268,327
Enterprise and community services	-	713,934	-	-	713,934
Facilities acquisition and construction	-	-	-	61,878	61,878
Capital outlay					
Support services	33,245	276,484	-	-	309,729
Facilities acquisition and construction	-	-	-	42,344	42,344
Debt service:					
Principal	-	82,816	1,745,000	-	1,827,816
Interest	-	4,571	1,442,761	-	1,447,332
Total Expenditures	23,918,844	3,682,623	3,187,761	104,222	30,893,450
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,102,514	(785,555)	206,235	92,874	616,068
OTHER FINANCING SOURCES (USES):					
Transfers in	-	837,690	49,529	629,260	1,516,479
Transfers out	(1,516,479)	-	-	-	(1,516,479)
Proceeds from fixed assets	-	3,750	-	-	3,750
Proceeds from capital leases	-	223,928	-	-	223,928
Total other financing sources (uses)	(1,516,479)	1,065,368	49,529	629,260	227,678
NET CHANGES IN FUND BALANCE	(413,965)	279,813	255,764	722,134	843,746
FUND BALANCES, July 1, 2016	3,634,361	1,153,474	470,713	1,446,762	6,705,310
FUND BALANCES, June 30, 2017	\$ 3,220,396	\$ 1,433,287	\$ 726,477	\$ 2,168,896	\$ 7,549,056

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

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

YEAR ENDED JUNE 30, 2017

NET CHANGES IN FUND BALANCES		\$ 843,746
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Capital asset additions	\$ 342,432	
Depreciation	<u>(890,305)</u>	(547,873)
<p>Repayment of principal on general obligation bonds payable is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.</p>		
		1,745,000
<p>Accrual of proportionate share of the net pension liability is not reported as an expenditure in the governmental funds.</p>		
		(1,461,175)
<p>Amortization of deferred gain on refunding.</p>		
		35,714
<p>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.</p>		
		2,636
<p>Payments on capital leases and new capital leases are recorded as a change in liabilities on the Statement of Net Position.</p>		
		(141,112)
<p>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.</p>		
		37,070
<p>Other postemployment benefits are reported in the Statement of Activities but not reported as an expenditure in the governmental funds.</p>		
		(80,614)
<p>Revenues that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.</p>		
		<u>41,643</u>
CHANGE IN NET POSITION		<u>\$ 475,035</u>

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

GENERAL FUND

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

YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources	\$ 5,375,000	\$ 5,375,000	\$ 5,759,332	\$ 384,332
Intermediate sources	73,500	73,500	467	(73,033)
State sources	19,645,667	19,645,667	19,191,453	(454,214)
Federal sources	-	-	5,220	5,220
Earnings on investments	20,000	20,000	64,886	44,886
Total Revenues	25,114,167	25,114,167	25,021,358	(92,809)
EXPENDITURES:				
Instruction *	16,334,561	16,334,561	15,855,552	479,009
Support services *	9,081,657	9,081,657	8,063,292	1,018,365
Contingency *	1,500,000	1,500,000	-	1,500,000
Total Expenditures	26,916,218	26,916,218	23,918,844	2,997,374
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,802,051)	(1,802,051)	1,102,514	2,904,565
OTHER FINANCING SOURCES (USES):				
Transfers out *	(1,516,481)	(1,516,481)	(1,516,479)	2
NET CHANGE IN FUND BALANCE	(3,318,532)	(3,318,532)	(413,965)	2,904,567
FUND BALANCE, July 1, 2016	3,318,532	3,318,532	3,634,361	315,829
FUND BALANCE, June 30, 2017	\$ -	\$ -	\$ 3,220,396	\$ 3,220,396

* Legally adopted appropriation level.

See notes to the basic financial statements.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SPECIAL REVENUE FUND

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

YEAR ENDED JUNE 30, 2017

	Budget		Actuals	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources	852,500	852,500	699,393	(153,107)
Intermediate sources	628,705	628,705	455,127	(173,578)
State sources	730,780	730,780	485,074	(245,706)
Federal sources	1,538,585	1,538,585	1,243,908	(294,677)
Earnings on investments	6,000	6,000	13,566	7,566
Total Revenues	3,756,570	3,756,570	2,897,068	(859,502)
EXPENDITURES:				
Instruction *	1,918,640	1,918,640	1,366,538	552,102
Support services *	2,847,002	2,847,002	1,602,151	1,244,851
Enterprise and community services *	884,151	884,151	713,934	170,217
Contingency *	100,000	100,000	-	100,000
Total Expenditures	5,749,793	5,749,793	3,682,623	2,067,170
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,993,223)	(1,993,223)	(785,555)	1,207,668
OTHER FINANCING SOURCES (USES):				
Transfers in	1,016,481	1,016,481	837,690	(178,791)
Sale of fixed asset	-	-	3,750	3,750
Proceeds from obligations under capital lease	240,000	240,000	223,928	(16,072)
Total Other Financing Sources (Uses)	1,256,481	1,256,481	1,065,368	(191,113)
NET CHANGE IN FUND BALANCE	(736,742)	(736,742)	279,813	1,016,555
FUND BALANCE, July 1, 2016	736,742	736,742	1,153,474	416,732
FUND BALANCE, June 30, 2017	\$ -	\$ -	\$ 1,433,287	\$ 1,433,287

* Legally adopted appropriation level.

See notes to the basic financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Presentation

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Measurement Focus and Basis of Accounting

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

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

Cash, Cash Equivalents and Investments

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

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

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

Cash with Trustee

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes Receivable

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

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

Accounts and Other Receivables

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

Grants

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

Inventory

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

Capital Assets

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

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

Capital Leases

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

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plans

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

Postemployment Benefits

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

Compensated Absences

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

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

Long-term Debt

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

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

Deferred Outflows/Inflows of Resources

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity

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

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

Budget

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

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

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

Use of Estimates

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District maintains a common cash, cash equivalents and investment pool for all District funds. At June 30, 2017, the District's cash, cash equivalents and investments is comprised of the following:

Cash on hand	\$ 4,663
Deposits with financial institutions:	
Demand deposits, non-interest bearing	1,625,844
State of Oregon Treasurer's	
Local Government Investment Pool	<u>6,433,378</u>
	<u>\$ 8,063,885</u>

Deposits with Financial Institutions

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

Deposits with financial institutions include primarily bank demand and money market deposits. The balances in these accounts according to the District's records total \$1,625,844 on June 30, 2017. The bank statement records reflect a balance of \$1,762,136 at year end. Of this amount, \$477,511 is covered by the FDIC's general deposit insurance rules. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of State Treasurer. As a result the District has no exposure to custodial credit risk for deposits with financial institutions.

Investments

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

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

Custodial Credit Risk – Investments – The Oregon State Treasurer's Local Government Investment Pool (LGIP) is subject to regulatory oversight by the Oregon Secretary of State and is not required to be categorized by risk. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares. The Oregon State Treasurer maintains the Oregon Short-Term Fund, of which the LGIP is a part. It is not registered with the U.S. Securities and Exchange Commission. The Fund currently has no credit rating as assigned by the credit rating agencies. On June 30, 2017 the fund's composite weighted rating was equivalent to S&P's AA ratings. The State's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB) and approved by the Oregon Investment Council (ORS 294.805 to 294.895).

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

2. CASH AND CASH EQUIVALENTS (Continued)

As of June 30, 2017 and for the year then ended, the District was in compliance with the State of Oregon statutes regarding investments as discussed under Note 1.

3. RECEIVABLES

Receivables at June 30, 2017 are comprised of the following:

Property Taxes	\$ 456,118
Grants	816,478
Other	247,697
	<u>\$ 1,520,293</u>

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 216,256	\$ -	\$ -	\$ 216,256
Construction in Progress	31,439	4,390	(31,439)	4,390
Total capital assets not being depreciated	<u>247,695</u>	<u>4,390</u>	<u>(31,439)</u>	<u>220,646</u>
Capital Assets being depreciated:				
Buildings and improvements	37,593,028	50,990	-	37,644,018
Vehicles and equipment	3,756,207	318,491	(7,457)	4,067,241
Total capital assets being depreciated	<u>41,349,235</u>	<u>369,481</u>	<u>(7,457)</u>	<u>41,711,259</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,696,947)	(747,448)	7,457	(13,436,938)
Vehicles and equipment	(3,114,244)	(142,857)	-	(3,257,101)
Total accumulated depreciation	<u>(15,811,191)</u>	<u>(890,305)</u>	<u>7,457</u>	<u>(16,694,039)</u>
Total capital assets being depreciated, net	<u>25,538,044</u>	<u>(520,824)</u>	<u>-</u>	<u>25,017,220</u>
Total capital assets, net	<u>\$ 25,785,739</u>	<u>\$ (516,434)</u>	<u>\$ (31,439)</u>	<u>\$ 25,237,866</u>

Equipment with a cost of approximately \$636,900 is financed under capital leases.

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

Instruction	562,341
Support Services	302,632
Enterprise and Community Services	23,312
Facilities Acquisition and Construction	2,020
Total	<u>\$ 890,305</u>

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

5. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2017 are as follows:

	Outstanding July 1, 2016	Additions	Payments and Redemptions	Outstanding June 30, 2017	Current Portion
Obligations under capital leases	\$ 337,084	\$ 223,928	\$ 82,816	\$ 478,196	\$ 122,826
2005 general obligation refunding bonds	16,410,000	-	1,205,000	15,205,000	1,335,000
2005 pension bonds	10,955,000	-	475,000	10,480,000	550,000
2011 QSCB bonds	695,000	-	65,000	630,000	65,000
Total bonds	28,397,084	223,928	1,827,816	26,793,196	\$ 2,072,826
Net pension obligation as restated	805,030	57,730	94,800	767,960	
Net OPEB obligation as restated	1,269,393	140,344	59,730	1,350,007	
Net pension liability	5,256,013	7,708,930	-	12,964,943	
	\$ 35,727,520	\$ 8,130,932	\$ 1,982,346	\$ 41,876,106	

Annual debt service requirements to maturity are as follows:

Year Ended June 30,	Obligations Under Capital Leases	General Obligation Bonds	Pension Bonds	QSCB Bonds	Total	Bond Interest
2018	122,826	1,335,000	550,000	65,000	2,072,826	1,354,043
2019	126,168	1,475,000	625,000	65,000	2,291,168	1,254,999
2020	89,627	1,620,000	710,000	65,000	2,484,627	1,145,104
2021	92,175	1,775,000	800,000	65,000	2,732,175	1,023,629
2022	47,400	2,000,000	900,000	65,000	3,012,400	884,649
2023-2027		7,000,000	6,240,000	305,000	13,545,000	1,942,419
2028		-	655,000	-	655,000	31,171
	\$ 478,196	\$ 15,205,000	\$ 10,480,000	\$ 630,000	\$ 26,793,196	\$ 7,636,014

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

Obligations under capital leases consist of the lease of four vehicles with an original cost of \$636,900 with average interest rates of 2.610%.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

6. INTERFUND TRANSFERS

The General Fund transferred \$837,690 of resources to the Special Revenue Fund for matching as required by grant awards, \$49,529 to the Debt Service Fund for debt service, and \$629,260 to the Capital Projects Fund for future capital projects.

7. RETIREMENT PLANS

Public Employees Retirement System (PERS)

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

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

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

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

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

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

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

7. RETIREMENT PLANS (Continued)

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

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

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

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

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

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

Disability Benefits - A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

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

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

2. OPSRP PENSION PROGRAM (CHAPTER 238A)

Pension Benefits - The OPSRP Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. For general service employees benefits are calculated with the following formula: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

7. RETIREMENT PLANS (Continued)

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

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

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

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

3. CONTRIBUTIONS

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

Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation. The rates are based on a percentage of payroll, which first became effective July 1, 2015. The District made lump sum payments to establish side accounts which reduces the District rates below the standard School District Pool rates. The District's contractually required contribution rate was 9.62% of eligible Tier 1/Tier 2 members and 4.93% of eligible payroll for OPSRP members. Employer contributions for the year ended June 30, 2017 were \$683,272, excluding amounts to fund employer specific liabilities. \$1,009,441 was charged for the year ended June 30, 2017 as PERS benefits expenditures to be used for bond payments as they become due. In addition approximately, \$569,365 in employee contributions were paid by employees for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a net pension liability of \$12,964,943 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The District's proportion of the net pension liability was based on the District's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers, actuarially determined. At June 30, 2016 the District's proportion was 0.08636201%.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

7. RETIREMENT PLANS (Continued)

For the year ended June 30, 2017, the District recognized a pension expense of \$1,461,175. At June 30, 2017, the District reported deferred outflows and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 428,937	\$ -
Changes in assumptions	2,765,111	
Net difference between projected and actual earnings on investments	2,561,329	-
Changes in proportionate share	-	718,418
Differences between employer contributions and proportionate share of contributions	44,777	150,228
Contributions subsequent to the measurement date	630,196	-
Net deferred outflow (inflow) of resources	\$ 6,430,350	\$ 868,646

District contributions subsequent to the measurement date of \$630,196 reported as deferred outflows of resources related to pensions will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported by the District as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in subsequent years as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 813,534
2018	813,534
2019	1,764,304
2020	1,358,740
2021	181,396
	\$ 4,931,508

4. ACTUARIAL METHODS AND ASSUMPTIONS

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

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

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

7. RETIREMENT PLANS (Continued)

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected salary increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scall BB, disabled mortality table.

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

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

7. RETIREMENT PLANS (Continued)

Assumed Asset Allocation

Asset Class/Strategy	OIC Target
Cash	0.0%
Debt Securities	20.0%
Public Equity	37.5%
Private Equity	20.0%
Real Estate	12.5%
Alternative Equity	10.0%
Opportunity Portfolio	0.0%
Total	100.0%

Long-term Expected Rate of Return - To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Funds of Funds – Diver	2.50%	4.64%
Hedge Fund – Event Driven	0.63%	6.72%
Timber	1.88%	5.85%

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

7. RETIREMENT PLANS (Continued)

Asset Class	Target	Compound Annual Return (Geometric)
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Assumed Inflation - Mean		2.50%

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability (asset)	\$ 20,934,060	\$ 12,964,943	\$ 6,304,155

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

Early Retirement Plan

Plan Description, Eligibility, and Benefit Provisions – The District currently operates a multi-component postemployment program for its Licensed, Administrative, Supervisory and Confidential Staff subject to the reporting requirements of GASB 75. The following language describes this plan.

- A. RETIREMENT STIPEND – This stipend will be phased out for teachers and administrative MOE group with fewer than 10 years employment with the District as of July 1, 2006.
1. Teachers, including the Superintendent and Business Manager, who have completed at least fifteen (15) years with the District and qualify for retirement benefits from the Public Employees Retirement System (PERS) shall qualify for a District retirement stipend.
 2. For employees who meet the qualification criteria and wish to retire, the District will pay a monthly stipend of \$425 per month for a maximum of four (4) years.
 3. Payment shall be terminated if any of the following occur:
 - a. Death of the employee;
 - b. Employment with a PERS entity which voids or reduces the individual's PERS retirement benefits;
 - c. Qualification for social security benefits, even though the individual may not apply for benefits.
 4. Employees exercising this option must give notice in writing to the Personnel Office at least sixty (60) calendar days prior to the retirement date.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

7. RETIREMENT PLANS (Continued)

5. Employees electing to take part in this retirement program may continue group medical and dental insurance coverage at their own expense subject to the approval of the insurance carrier.
6. Any teacher on this program who files for unemployment benefits shall forfeit any and all benefits.

B. INCENTIVE BASED STIPEND

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

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

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

Contributions and Funding Policy - The benefits from this program are fully paid in accordance with the plan by the District and, consequently, no contributions by employees are required. In accordance with the terms of the plan, benefit payments are recognized when due and payable in governmental funds and on an actuarial basis in the government-wide financial statements. There are no assets accumulated in a trust for the benefit of this plan nor are there administrative costs attributable to the plan.

Total Pension Stipend Liability – The District's total Pension Stipend Liability of \$767,960 was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2016.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

7. RETIREMENT PLANS (Continued)

Actuarial Methods and Assumptions – The total Pension Liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal, level percent of salary
Actuarial Assumptions:	
Discount Rate	3.75 percent
Inflation Rate	2.50 percent
Salary Scale	3.00 percent
Annual Premium Rate	Decreasing from 6.5 percent in 2016-2017 to 5.00 percent in 2031-2032 and beyond by 0.10 percent increments
Mortality	RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.
Turnover Rates	As developed for the valuation of benefits under Oregon PERS.
Disability Rates	As developed for the valuation of benefits under Oregon PERS.

The following are the changes in the Pension Liability:

Balance at June 30, 2016	\$ 805,030
Service Cost	28,779
Interest	28,951
Changes in benefit terms	-
Experience (gain)/loss	-
Changes in assumptions	-
Benefit payments	<u>(94,800)</u>
Balance at June 30, 2017	<u>\$ 767,960</u>

At June 30, 2017, the District reported no deferred outflows or inflows of resources related to OPEB.

Sensitivity of the Total Pension Liability to Changes in the Discount Rate – The following presents the total Pension Liability of the District, as well as what that the District's total Pension Liability would be if it were calculated using a discount rate that is one percentage point lower (2.75 percent) or one percentage point higher (4.75 percent) than the current rate:

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total Pension Liability	\$ 805,285	\$ 767,960	\$ 732,320

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

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

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

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

Total OPEB Liability – The District’s total OPEB liability of \$1,350,007 was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions and Other Inputs – The actuarial methods and assumptions are identical to those described in the Pension Early Retirement Stipend previously discussed.

The following are the changes in the OPEB Liability:

Balance at June 30, 2016	\$ 1,269,393
Service Cost	92,134
Interest	48,210
Changes in benefit terms	-
Experience (gain)/loss	-
Changes in assumptions	-
Benefit payments	(59,730)
Balance at June 30, 2017	\$ 1,350,007

At June 30, 2017, the District reported no deferred outflows or inflows of resources related to OPEB.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what that the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.75 percent) or one percentage point higher (4.75 percent) than the current rate:

	1% Decrease 5.50% Graded Down to 4.00%	Current Trend Range 6.50% Graded Down to 5.00%	1% Increase 7.50% Graded Down to 6.00%
Total OPEB Liability	\$ 1,188,511	\$ 1,350,007	\$ 1,543,046

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate – The following presents the total OPEB liability of the District, as well as what that the District’s total OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 5.50% Graded Down to 4.00%	Current Trend Rate 6.50% Graded Down to 5.00%	1% Increase 7.50% Graded Down to 6.00%
Total OPEB Liability	\$ 1,188,511	\$ 1,350,007	\$ 1,543,046

9. RISK MANAGEMENT

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

10. COMMITMENTS AND CONTINGENCIES

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

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

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

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2017

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, 2017
Nonspendable:					
Inventory	\$ -	\$ 21,565	\$ -	\$ -	\$ 21,565
Prepaid items	36,051	-	-	-	36,051
Restricted for:					
Federal, state and private grants	-	494,780	-	-	494,780
Capital projects	-	-	-	2,168,891	2,168,891
Debt service	-	-	384,886	-	384,886
Assigned to:					
Special revenue fund activities	-	938,047	-	-	938,047
Debt service	-	-	341,591	-	341,591
Planned reserve	1,500,000	-	-	-	1,500,000
Unassigned	1,684,345	(21,105)	-	5	1,663,245
	<u>\$ 3,220,396</u>	<u>\$ 1,433,287</u>	<u>\$ 726,477</u>	<u>\$ 2,168,896</u>	<u>\$ 7,549,056</u>

12. ADOPTION OF GASB STATEMENTS 73 AND 75

During the year, the District adopted GASB statement's No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The District also adopted GASB statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

The implementation of GASB Statement 73 and 75 resulted in the restatement of the beginning net position of the governmental activities in the government-wide financial statements as follows:

Net position at June 30, 2016	\$ (2,558,885)
Change in reporting for total Pension Stipend liability	(653,112)
Change in reporting for total OPEB liability	<u>(654,498)</u>
Net position at June 30, 2016, restated	<u>\$ (3,866,495)</u>

13. NEW ACCOUNTING STANDARDS IMPLEMENTED

For the fiscal year ended June 30, 2017, the District implemented the following new accounting standards:

GASB Statement No. 77 "Tax Abatement Disclosures." The statement establishes accounting and reporting guidance on tax abatement agreements for governments. The statement is effective for fiscal years beginning after December 15, 2015. The District anticipates no financial impact as a result of implementing this statement.

GASB Statement No. 79 "Certain External Investment Pools and Pool Participants." This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The statement is effective for fiscal years beginning after December 15, 2015. The District anticipates no financial impact as a result of implementing this statement.

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REQUIRED SUPPLEMENTARY INFORMATION

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

REQUIRED SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2017

STIPEND BENEFIT PLAN

	<u>June 30,</u> <u>2017</u>
Total Pension Liability - Beginning	\$ 805,030
Service Cost	28,779
Interest	28,951
Changes in benefit terms	-
Experience (gain)/loss	-
Changes in assumptions	-
Benefit payments	<u>(94,800)</u>
Net Change in Total Pension Liability	<u>(37,070)</u>
Total Pension Liability - End of Year	<u>\$ 767,960</u>
Covered Payroll	\$ 10,701,710
Total Pension Liability as a Percentage of Covered Payroll	7.18%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

OTHER POST EMPLOYMENT BENEFITS - HEALTH INSURANCE SUBSIDY

	<u>June 30,</u> <u>2017</u>
Total OPEB Liability - Beginning	\$ 1,269,393
Service Cost	92,134
Interest	48,210
Changes in benefit terms	-
Experience (gain)/loss	-
Changes in assumptions	-
Benefit payments	<u>(59,730)</u>
Net Change in Total OPEB Liability	<u>80,614</u>
Total OPEB Liability - End of Year	<u>\$ 1,350,007</u>
Covered Payroll	\$ 10,701,710
Total OPEB Liability as a Percentage of Covered Payroll	12.61%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

REQUIRED SUPPLEMENTAL INFORMATION

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

YEAR ENDED JUNE 30, 2017

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

<u>Fiscal Year Ended</u>	<u>(a) District's Proportion of the Net Pension Liability (NPL)</u>	<u>(b) District's Proportionate Share of the Net Pension Liability (NPL)</u>	<u>(c) District's Covered Payroll</u>	<u>(b/c) NPL as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
6/30/2014	0.12466454%	\$ 6,361,814	\$ 10,281,123	61.88%	91.97%
6/30/2015	0.12466454%	\$ (2,825,789)	\$ 9,510,676	-29.71%	103.60%
6/30/2016	0.09154487%	\$ 5,256,013	\$ 9,694,451	54.22%	91.90%
6/30/2017	0.08636201%	\$ 12,964,943	\$ 10,123,323	128.07%	90.00%

SCHEDULE OF DISTRICT CONTRIBUTIONS

<u>Fiscal Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percent of Covered Payroll</u>
6/30/2014	\$ 1,140,976	\$ 1,140,976	\$ -	\$ 9,510,676	12.00%
6/30/2015	\$ 1,080,565	\$ 1,080,565	\$ -	\$ 9,694,451	11.15%
6/30/2016	\$ 700,929	\$ 700,929	\$ -	\$ 10,123,323	6.92%
6/30/2016	\$ 630,196	\$ 630,196	\$ -	\$ 10,802,776	5.83%

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108

Estacada, Oregon

NOTES THE REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2017

1. OTHER POSTEMPLOYMENT BENEFITS

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

2. EMPLOYEE RETIREMENT PENSION BENEFITS

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
 Estacada, Oregon

DEBT SERVICE FUND

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

YEAR ENDED JUNE 30, 2017

	Budget		Actuals	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources	\$ 5,531,749	\$ 5,531,749	\$ 3,373,924	\$ (2,157,825)
Earnings on investments	5,600	5,600	20,072	14,472
Total Revenues	<u>5,537,349</u>	<u>5,537,349</u>	<u>3,393,996</u>	<u>(2,143,353)</u>
EXPENDITURES:				
Debt service *:				
Principal	3,580,000	3,580,000	1,745,000	1,835,000
Interest	2,032,349	2,032,349	1,442,761	589,588
Total Expenditures	<u>5,612,349</u>	<u>5,612,349</u>	<u>3,187,761</u>	<u>2,424,588</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(75,000)</u>	<u>(75,000)</u>	<u>206,235</u>	<u>281,235</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	49,529	49,529
NET CHANGE IN FUND BALANCE	<u>(75,000)</u>	<u>(75,000)</u>	<u>255,764</u>	<u>330,764</u>
FUND BALANCE, July 1, 2016	<u>75,000</u>	<u>75,000</u>	<u>470,713</u>	<u>395,713</u>
FUND BALANCE, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 726,477</u>	<u>\$ 726,477</u>

* Legally adopted appropriation level.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

CAPITAL PROJECTS FUND

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

YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources	\$ 123,000	\$ 123,000	\$ 177,512	\$ 54,512
Earnings on investments	3,600	3,600	19,584	15,984
Total Revenues	<u>126,600</u>	<u>126,600</u>	<u>197,096</u>	<u>70,496</u>
EXPENDITURES:				
Facilities acquisition, construction and improvement services *	11,835,600	11,835,600	104,222	11,731,378
Debt services *	60,000	60,000	-	60,000
Total Expenditures	<u>11,895,600</u>	<u>11,895,600</u>	<u>104,222</u>	<u>11,791,378</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(11,769,000)</u>	<u>(11,769,000)</u>	<u>92,874</u>	<u>11,861,874</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	500,000	500,000	629,260	129,260
Proceeds from issuance of bonds	10,060,000	10,060,000	-	(10,060,000)
Total Other Financing Sources (Uses)	<u>10,560,000</u>	<u>10,560,000</u>	<u>629,260</u>	<u>(9,930,740)</u>
NET CHANGE IN FUND BALANCE	<u>(11,269,000)</u>	<u>(11,269,000)</u>	<u>722,134</u>	<u>11,991,134</u>
FUND BALANCE, July 1, 2016	<u>1,209,000</u>	<u>1,209,000</u>	<u>1,446,762</u>	<u>237,762</u>
FUND BALANCE, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,168,896</u>	<u>\$ 2,168,896</u>

* Legally adopted appropriation level.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2017

	Tax Year	Uncollected July 1, 2016	Levy as Extended by Assessor	Discounts Allowed	Interest	Adjustments	Collections	Uncollected June 30, 2017
<u>GENERAL FUND:</u>								
Current			\$ 5,873,042	\$ (152,208)	\$ 2,516	\$ (11,198)	\$ 5,597,457	\$ 112,179
Prior	2015-16	\$ 118,623	-	33	4,633	(1,437)	54,431	62,788
	2014-15	62,793	-	14	3,908	(568)	18,449	43,790
	2013-14	41,670	-	11	4,333	(740)	12,426	28,515
	2012-13	27,041	-	-	2,147	(79)	5,252	21,710
	and prior	59,406	-	32	241	(1,191)	1,612	56,635
Total Prior		309,533	-	90	15,262	(4,015)	92,170	213,438
Total General Fund		309,533	5,873,042	(152,118)	17,778	(15,213)	5,689,627	325,617
<u>DEBT SERVICE FUND:</u>								
Current			2,358,004	(61,111)	1,010	(4,496)	2,247,357	45,040
Prior	2015-16	44,790	-	12	1,740	(540)	20,443	23,819
	2014-15	31,030	-	7	1,931	(281)	9,117	21,639
	2013-14	13,656	-	4	1,420	(242)	4,072	9,346
	2012-13	10,310	-	-	819	(30)	2,002	8,278
	and prior	23,650	-	13	733	(724)	560	22,379
Total Prior		123,436	-	36	6,643	(1,817)	36,194	85,461
Total Debt Service Fund		123,436	2,358,004	(61,075)	7,653	(6,313)	2,283,551	130,501
TOTAL ALL FUNDS		\$ 432,969	\$ 8,231,046	\$ (213,193)	\$ 25,431	\$ (21,526)	\$ 7,973,178	\$ 456,118

2016 - 17 DISTRICT AUDIT REVENUE SUMMARY

Revenue from Local Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
1110 Ad Valorem Taxes Levied by District	\$5,707,404		\$2,291,204				
1120 Local Option Ad Valorem Taxes Levied by							
1130 Construction Excise Tax				\$169,536			
1190 Penalties and Interest on Taxes							
1200 Revenue from Local Governmental Units Other Than Districts							
1311 Regular Day School Tuition - From Individuals							
1312 Regular Day School Tuition - Other Dist Within							
1313 Regular Day School Tuition - Other Districts							
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition							
1411 Transportation Fees - From Individuals	\$4,950						
1412 Transportation Fees - Other Dist Within State	\$5,026						
1413 Transportation Fees - Other Districts Outside							
1420 Summer School Transportation Fees							
1500 Earnings on Investments	\$64,886	\$13,566	\$20,278	\$19,585			
1600 Food Service		\$127,192					
1700 Extracurricular Activities		\$495,389					
1800 Community Services Activities							
1910 Rentals	\$69,809	\$3,980					
1920 Contributions and Donations From Private		\$2,500		\$2,500			
1930 Rental or Lease Payments From Private							
1940 Services Provided Other Local Education							
1950 Textbook Sales and Rentals							
1960 Recovery of Prior Years' Expenditure							
1970 Services Provided Other Funds			\$1,009,441				
1980 Fees Charged to Grants							
1990 Miscellaneous	-\$27,857	\$70,331	\$73,072	\$5,476			
Total Revenue from Local Sources	\$5,824,218	\$712,958	\$3,393,995	\$197,097	\$0	\$0	\$0
Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
2101 County School Funds							
2102 General ESD Revenue		\$328,292					
2103 Excess ESD Local Revenue							
2105 Natural Gas, Oil, and Mineral Receipts							
2110 Intermediate "I" Tax							
2199 Other Intermediate Sources	\$466						
2200 Restricted Revenue		\$126,836					
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District							
Total Revenue from Intermediate Sources	\$466	\$455,128	\$0	\$0	\$0	\$0	\$0
Revenue from State Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3101 State School Fund - General Support	\$18,873,809						
3102 State School Fund - School Lunch Match		\$6,812					
3103 Common School Fund	\$317,644						
3104 State Managed County Timber							
3106 State School Fund - Accrual							
3199 Other Unrestricted Grants-in-Aid							
3204 Driver Education							
3222 State School Fund (SSF) Transportation Equipment		\$65,325					
3299 Other Restricted Grants-in-Aid		\$412,937					
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District							
Total Revenue from State Sources	\$19,191,453	\$485,074	\$0	\$0	\$0	\$0	\$0
Revenue from Federal Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
4100 Unrestricted Revenue Direct From the Federal Government							
4200 Unrestricted Revenue From the Federal Government Through the State							
4300 Restricted Revenue From the Federal Government							
4500 Restricted Revenue From the Federal Government Through the State		\$1,194,147					
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies							
4801 Federal Forest Fees	\$5,220						
4802 Impact Aid to School Districts for Operation							
4803 Coos Bay Wagon Road Funds							
4899 Other Revenue in Lieu of Taxes							
4900 Revenue for/on Behalf of the District		\$49,760					
Total Revenue from Federal Sources	\$5,220	\$1,243,907	\$0	\$0	\$0	\$0	\$0
Revenue from Other Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5100 Long Term Debt Financing Sources		\$223,928					
5200 Interfund Transfers		\$837,691	\$49,529	\$629,260			
5300 Sale of or Compensation for Loss of Fixed Assets		\$3,750					
5400 Resources - Beginning Fund Balance	\$3,634,361	\$1,153,474	\$470,713	\$1,446,762			
Total Revenue from Other Sources	\$3,634,361	\$2,218,843	\$520,242	\$2,076,022	\$0	\$0	\$0
Grand Totals	\$28,655,718	\$5,115,910	\$3,914,237	\$2,273,119	\$0	\$0	\$0

2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 100 General Fund

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	\$3,049,977	\$2,004,637	\$995,070	\$16,468	\$33,802			
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$1,492,650	\$984,522	\$478,402	\$520	\$29,206			
1122 Middle/Junior High School Extracurricular	\$1,350	\$1,050	\$300					
1131 High School Programs	\$1,999,498	\$1,322,211	\$635,107	\$6,318	\$28,979	\$6,883		
1132 High School Extracurricular	\$0							
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$0							
1220 Restrictive Programs for Students with Disabilities	\$734,184	\$417,675	\$314,296	\$252	\$1,961			
1250 Less Restrictive Programs for Students with Disabilities	\$1,149,717	\$754,162	\$391,637	\$27	\$3,891			
1260 Treatment and Habilitation	\$0							
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$7,237,282	\$27,575	\$25,164	\$7,184,519	\$24			
1291 English Second Language Programs	\$190,894	\$127,321	\$63,573					
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$15,855,552	\$5,639,153	\$2,903,549	\$7,208,104	\$97,863	\$6,883	\$0	\$0
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$49,061	\$26,390	\$22,671					
2120 Guidance Services	\$524,762	\$353,046	\$166,160	\$1,156	\$4,400			
2130 Health Services	\$97,529	\$62,221	\$31,038	\$1,655	\$2,615			
2140 Psychological Services	\$104,186	\$49,721	\$27,770	\$26,695				
2150 Speech Pathology and Audiology Services	\$98,233	\$68,109	\$26,597	\$1,067	\$2,460			
2160 Other Student Treatment Services	\$488				\$488			
2190 Service Direction, Student Support Services	\$220,722	\$141,222	\$59,869	\$8,193	\$11,438			
2210 Improvement of Instruction Services	\$0							
2220 Educational Media Services	\$139,848	\$68,225	\$50,610	\$279	\$20,734			
2230 Assessment & Testing	\$15,116				\$15,116			
2240 Instructional Staff Development	\$49,503				\$49,503			
2310 Board of Education Services	\$82,009	\$15,958	\$4,178	\$60,302	\$476		\$1,095	
2320 Executive Administration Services	\$428,597	\$273,893	\$79,000	\$46,822	\$20,906		\$7,976	
2410 Office of the Principal Services	\$1,211,276	\$743,424	\$401,260	\$11,157	\$39,694		\$15,741	
2490 Other Support Services - School Administration	\$469,091	\$258,118	\$103,133	\$24,905	\$50,216	\$7,077	\$25,642	
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$275,375		\$24,400				\$250,975	
2540 Operation and Maintenance of Plant Services	\$1,772,106	\$523,212	\$292,624	\$761,130	\$167,512	\$26,168	\$1,460	
2550 Student Transportation Services	\$1,600,995	\$714,896	\$434,519	\$104,889	\$346,013		\$678	
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$327				\$327			
2630 Information Services	\$2,242			\$2,242				
2640 Staff Services	\$201,254	\$108,992	\$46,721	\$15,730	\$21,871		\$7,940	
2660 Technology Services	\$594,241	\$208,680	\$96,111	\$69,290	\$216,892		\$3,268	
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$126,331	\$112,466	\$13,865					
Total Support Services Expenditures	\$8,063,292	\$3,728,573	\$1,880,526	\$1,135,512	\$970,661	\$33,245	\$314,775	\$0
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$0							
5200 Transfers of Funds	\$1,516,479							\$1,516,479
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$1,516,479	\$0	\$0	\$0	\$0	\$0	\$0	\$1,516,479
Grand Total	\$25,435,323	\$9,367,726	\$4,784,075	\$8,343,616	\$1,068,524	\$40,128	\$314,775	\$1,516,479

2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 200 Special Revenue Funds

Instruction Expenditures							
Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	\$238,013	\$78,099	\$38,604	\$552	\$120,514	\$244	
1113 Elementary Extracurricular	\$0						
1121 Middle/Junior High Programs	\$45,448				\$45,211		\$237
1122 Middle/Junior High School Extracurricular	\$0						
1131 High School Programs	\$302,016	\$6,278	\$1,233		\$293,955	\$550	
1132 High School Extracurricular	\$370,549	\$222,564	\$60,190	\$1,024	\$52,027		\$34,744
1140 Pre-Kindergarten Programs	\$0						
1210 Programs for the Talented and Gifted	\$0						
1220 Restrictive Programs for Students with Disabilities	\$98,016	\$65,389	\$32,627				
1250 Less Restrictive Programs for Students with Disabilities	\$8,987				\$8,987		
1260 Treatment and Habilitation	\$0						
1271 Remediation	\$0						
1272 Title I	\$278,956	\$168,369	\$108,306		\$2,281		
1280 Alternative Education	\$0						
1291 English Second Language Programs	\$24,553			\$14,047	\$506		\$10,000
1292 Teen Parent Program	\$0						
1293 Migrant Education	\$0						
1294 Youth Corrections Education	\$0						
1299 Other Programs	\$0						
1300 Adult/Continuing Education Programs	\$0						
1400 Summer School Programs	\$0						
Total Instruction Expenditures	\$1,366,538	\$540,699	\$240,960	\$15,623	\$523,481	\$794	\$44,981
\$0							
Support Services Expenditures							
Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0						
2120 Guidance Services	\$81,546			\$81,546			
2130 Health Services	\$5,076	\$2,500	\$714	\$1,862			
2140 Psychological Services	\$146			\$146			
2150 Speech Pathology and Audiology Services	\$140,367	\$84,352	\$25,361	\$30,654			
2160 Other Student Treatment Services	\$107,955	\$72,585	\$35,370				
2190 Service Direction, Student Support Services	\$61,065	\$40,796	\$20,134	\$135			
2210 Improvement of Instruction Services	\$670,745	\$350,318	\$171,155	\$50,939	\$97,442		\$891
2220 Educational Media Services	\$0						
2230 Assessment & Testing	\$0						
2240 Instructional Staff Development	\$21,132	\$2,611	\$1,479	\$17,042			
2310 Board of Education Services	\$0						
2320 Executive Administration Services	\$0						
2410 Office of the Principal Services	\$0						
2490 Other Support Services - School Administration	\$75,000			\$75,000			
2510 Direction of Business Support Services	\$0						
2520 Fiscal Services	\$0						
2540 Operation and Maintenance of Plant Services	\$322		\$322				
2550 Student Transportation Services	\$363,871				\$359,300	\$4,571	
2570 Internal Services	\$0						
2610 Direction of Central Support Services	\$0						
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0						
2630 Information Services	\$0						
2640 Staff Services	\$0						
2660 Technology Services	\$74,925	\$6,183	\$531	\$24,344	\$43,867		
2670 Records Management Services	\$0						
2690 Other Support Services - Central	\$0						
2700 Supplemental Retirement Program	\$0						
Total Support Services Expenditures	\$1,602,150	\$559,345	\$255,066	\$281,668	\$141,309	\$359,300	\$5,462
\$0							
Enterprise and Community Services Expenditures							
Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$667,392	\$225,561	\$149,075	\$3,591	\$279,481		\$9,684
3200 Other Enterprise Services	\$0						
3300 Community Services	\$46,543	\$8,384	\$5,909	\$32,250			
3500 Custody and Care of Children Services	\$0						
Total Enterprise and Community Services Expenditures	\$713,935	\$233,945	\$154,984	\$35,841	\$279,481	\$0	\$9,684
\$0							
Grand Total	\$3,682,623	\$1,333,989	\$651,010	\$333,132	\$944,271	\$360,094	\$60,127
\$0							

2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 300 Debt Service Funds

Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$3,187,761						\$3,187,761	
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$3,187,761	\$0	\$0	\$0	\$0	\$0	\$3,187,761	\$0
Grand Total	\$3,187,761	\$0	\$0	\$0	\$0	\$0	\$3,187,761	\$0

2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 400 Capital Projects Funds

Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$104,222			\$31,682	\$29,216	\$42,344		\$980
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$104,222	\$0	\$0	\$31,682	\$29,216	\$42,344	\$0	\$980
Grand Total	\$104,222	\$0	\$0	\$31,682	\$29,216	\$42,344	\$0	\$980

SUPPLEMENTAL INFORMATION, 2016-2017

School District Business Managers and Auditors:

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

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

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

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

	Objects 325 & 326
Function 2540	\$ 429,557
Function 2550	\$ 11,002

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

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

Exclude these functions:

1113, 1122 & 1132
 1140
 1300
 1400

Co-curricular Activities
 Pre-Kindergarten
 Continuing Education
 Summer School

Exclude these functions:

4150
 2550
 3100
 3300

Construction
 Pupil Transportation
 Food Service
 Community Services

\$ -0-

SINGLE AUDIT SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Clackamas County School District No. 108 (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 28, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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



Purpose of this Report

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

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 28, 2017



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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited Clackamas County School District No. 108's (District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.



Other Matters

The result of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be material weaknesses. We also identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002 that we consider to be significant deficiencies.

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



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

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 28, 2017

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

	<u>Grant Period</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Grant Amount</u>	<u>Expenditures</u>
U.S. Department of Education					
Passed through Oregon State Department of Education					
Title I, Part A					
Title I ESEA	2015-2016	84.010	35968	\$ 278,954	\$ 4,497
	2016-2017	84.010	41052	304,406	274,459
Total Title I, Part A				583,360	278,956
Special Education Cluster					
IDEA Part B	2015-2016	84.027	36845	415,573	17,546
IDEA Part B	2016-2017	84.027	41501	429,315	398,845
IDEA Enhancement Formula	2016-2017	84.027	42639	5,305	3,114
IDEA Extended Assessment	2016-2017	84.027	41956	900	-
SPR & I Grant	2016-2017	84.027	40820	2,675	2,675
IDEA Part B Section 619	2015-2016	84.173	35715	3,029	-
IDEA Part B Section 619	2016-2017	84.173	40583	3,453	-
Total Special Education Cluster				860,250	422,180
Title III Language Instruction					
	2015-2016	84.365	36319	25,869	6,434
	2016-2017	84.365	41755	21,390	4,197
				47,259	10,631
Title IIA Improving Teacher Quality					
	2015-2016	84.367	36165	70,460	32,689
	2016-2017	84.367	41307	70,786	61,364
				141,246	94,053
Total Passed through Oregon State Department of Education				1,632,115	805,820
Passed through Clackamas Education Service District					
Title 1C Migrant Education					
	2016-2017	84.011	N/A	2,031	-
Career Technical Education					
	2016-2017	84.048	N/A	7,335	6,993
Total Passed through Clackamas Education Service District				9,366	6,993
Total U.S. Department of Education				1,641,481	812,813
U.S. Department of Agriculture					
Passed through Oregon State Department of Education					
Child Nutrition Cluster					
National School Breakfast	2015-2016	10.553	N/A	67,217	67,217
Commodities	2015-2016	10.555	N/A	49,760	49,760
National School Lunch	2015-2016	10.555	N/A	286,663	286,663
Summer Food	2015-2016	10.559	N/A	27,454	27,455
Total Child Nutrition Cluster				431,094	431,095
Passed through Clackamas County					
Federal Forest Fees					
	2016-2017	10.665	N/A	5,220	5,220
Total U.S. Department of Agriculture				436,314	436,315
Total Federal Financial Assistance				\$ 2,087,795	\$ 1,249,128

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation: The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Clackamas County School District No. 108 (District) programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies: Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 4 - Subrecipients: The District has no subrecipients.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
 Estacada, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	Yes	No ✓
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes	None reported ✓
Noncompliance material to financial statements noted?	Yes	No ✓

Federal Awards:

Internal control over major programs:		
Material weakness(es) identified?	Yes ✓	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes ✓	None reported
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 516(a)?	Yes ✓	No

Identification of major programs:

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

SECTION II - FINANCIAL STATEMENT FINDINGS - NONE

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2017

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Program: Child Nutrition Cluster

CFDA Numbers: 10.553, 10.555, 10.559

Passed Through: Oregon Department of Education

2017-001 – Material Weakness in Internal Control and Material Noncompliance – Eligibility

Criteria – The School Food Authority (SFA), in this case Clackamas County School District No. 108 (District), is required to utilize the information provided on applications used in determining a student's eligibility to ensure that the correct determination of status is made. The District is also required to review Oregon Department of Education (ODE) direct certification information and update student status to reflect free status if the student is not already so identified.

Condition – On one eligibility application, the family size used to determine eligibility was incorrect. Additionally, 3 students from our sample were identified as free status in the NutriKids system as a result of the direct import of ODE direct certification information into the NutriKids system. These students were unable to be located upon review of the ODE direct certification information.

Cause – In the case of the eligibility application in which family size was determined incorrectly, the application listed household members, but did not have the household size completed. When such an application is processed, the individual processing the application is to use the number of household members listed to calculate the household size. When this application was processed, the calculation of the family size was made incorrectly. In the case of the direct certification students, the cause is unable to be conclusively determined. After contact with the software provider, ODE, and a review of the import system, the most likely reason is that an improper match was mistakenly made during the import process when near matches between the ODE information and the NutriKids system were reconciled.

Effect – In the case of the eligibility application in which family size was determined incorrectly, the status for the household was determined to be free, as opposed to reduced as originally processed. In the case of the direct certification students, 3 students may have been incorrectly identified as eligible for free status.

Questioned Costs – None.

Context – Applications are often incomplete, but the federal program allows the individual processing the application to use other information provided on the application to complete the eligibility determination process when possible. Applications can also often be illegible and hard to read. In the case of the eligibility application in which family size was determined incorrectly, one child's name was written outside of the area designated for family members, and so was inadvertently overlooked when the application was processed. In the case of the direct certification students,

Recommendation – Enhance the current system to allow staff sufficient time to properly process applications. The review of applications by a second party should also be allowed sufficient time. Additionally, request a software modification to allow for adequate review of near matches during the direct certification import process.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2017

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

Views of Responsible Officials – Management agrees with the finding and has retrained Food Service Staff on procedures for family member identification. Those families with applications submitted that have any question with identification of eligible names, will be contacted by phone to assure that all household members are tabulated when clarification is needed for any apparent inconsistencies. Management has also directed Food Service Staff to schedule uninterrupted time when processing direct certify uploads into the NutriKids system to minimize the possibility of keystroke errors on manual verification of eligibility matches.

2017-002 – Significant Deficiency in Internal Control and Material Noncompliance – *Special Tests and Provisions – Paid Lunch Equity*

Criteria – The School Food Authority (SFA), in this case Clackamas County School District No. 108, is required to perform a calculation for meal pricing annually. This report was due May 31, 2017.

Condition – The report was not timely submitted.

Cause – The submission of the report was inadvertently overlooked, even though the calculation had been made.

Effect – Oregon Department of Education did not receive the report timely.

Questioned Costs – None.

Context – This appears to be a simple oversight.

Recommendation – Implement a calendar reminder system to ensure that the report is timely submitted.

Views of Responsible Officials – Management agrees with the finding as an isolated instance. All future ODE requirements are now directly communicated to both Food Service Staff and the District's Business Manager. All required due dates for ODE reporting will be added to Food Service Staff electronic calendars to ensure prompt submission.

CLACKAMAS COUNTY SCHOOL DISTRICT NO. 108
Estacada, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2017

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

Federal Program: Child Nutrition Cluster

CFDA Numbers: 10.553, 10.555, 10.559

Passed Through: Oregon Department of Education

Finding 2016-001

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

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

Current Status: The district adopted the recommendation in December 2016.

Finding 2016-002

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

Recommendation – We recommended the District develop a system by which the verification process is reviewed by another trained staff member.

Current Status: The district adopted the recommendation in December 2016.

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



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

We have audited the basic financial statements of Clackamas County School District No. 108, Estacada, Oregon (District) as of and for the year ended June 30, 2017, and have issued our report thereon dated December 28, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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

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

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

OAR 162-10-0230 Internal Control

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



Purpose of this Report

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

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 28, 2017

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