

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



12700 SW 72nd Ave.
Tigard, OR 97223

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

FINANCIAL REPORT

For the Year Ended June 30, 2013

This Page Intentionally Left Blank

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

2012-2013
FINANCIAL REPORT

<u>BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Chris Wyne, Chair	June 30, 2013
Eric Gerber	June 30, 2013
George Frasier	June 30, 2015
Charley Wolff	June 30, 2015
Dan LaCoste	June 30, 2013
Tim Marchbanks	June 30, 2015
David Goracke	June 30, 2015

ADMINISTRATION

Brian Gardner, Superintendent
PO Box 13
Halsey, OR 97348

Celeste Van Cleave, Deputy Clerk/Business Manager
331 E. Blakely Avenue
Brownsville, OR 97327

This Page Intentionally Left Blank

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	i-iv
FINANCIAL STATEMENTS AND SCHEDULES:	
Basic Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Balance Sheet – Governmental Funds	5
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund	
Balances - Governmental Funds	7
Reconciliation of Statement of Revenues, Expenditures and Changes in	
Fund Balances to Statement of Activities	8
Notes to Basic Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Actual and Budget:	
General Fund	22
Special Revenue Fund	23
Student Activity Fund	24
SUPPLEMENTARY INFORMATION:	
Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	25
Combining Schedule of Revenues, Expenditures and Changes in	
Fund Balances - Nonmajor Governmental Funds	26
Schedules of Revenues, Expenditures and Changes in Fund	
Balance - Actual and Budget: (Continued)	
Reserve Fund	27
Heating System Project Fund	28
Cobra Student Enterprises Fund	29
Schedule of Property Tax Transactions And Balances of Taxes Uncollected	30
OTHER INFORMATION:	
Other Financial Schedules:	
2012-13 Revenue Summary by Function – General Fund	31
2012-13 Expenditures by Function/Object – General Fund	32
INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS	33

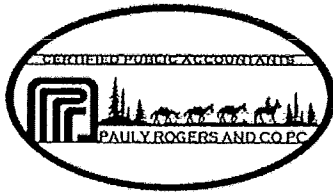
CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

TABLE OF CONTENTS (CONTINUED)

PAGE
NUMBER

GRANT COMPLIANCE REVIEW:

Schedule of Expenditures of Federal Awards	35
Report on Internal Control Structure over Financial Reporting	36
Report on Compliance with Requirements Applicable to Major Programs and Internal Control Structure	38
Schedule of Audit Findings and Questioned Costs	40



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

November 7, 2013

To the Board of Directors
Central Linn School District No. 552C
Linn County, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Linn School District No. 552C, Linn County, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 of 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 auditors' 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 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 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 that 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 financial position of the governmental activities, each major fund and the aggregate remaining fund information of Central Linn School District No. 552C, Linn County, Oregon, at June 30, 2013 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended June 30, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other 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 expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

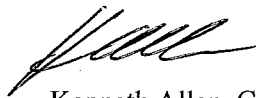
The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 listed in the table of contents, and the schedule of federal expenditures is fairly stated , in all material respects, in relation to the basic financial statements as a whole.

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2013 on our consideration of the internal control over financial reporting and on our tests of 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 internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 7, 2013, on our consideration of compliance with certain provisions of laws and regulations, 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 compliance and the results of that testing and not to provide an opinion on compliance.



Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.

This Page Intentionally Left Blank

**CENTRAL LINN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Our discussion and analysis of Central Linn School district's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the District's Financial Statements, which follows this MD&A. Comparative information is provided between the prior fiscal year ended June 30, 2012 and June 30, 2013.

FINANCIAL HIGHLIGHTS

- At June 30, 2013, the District's assets exceeded its liabilities by \$4,046,115.
- The District has \$4,238,605 invested in capital assets, net of depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

The School District's annual report consists of a series of financial statements that show information for the District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provides information about the activities of the District as a whole and presents a longer-term view of the District's finances. Our fund financial statements are included later in the financial report. For our governmental activities, these statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the District's overall financial health. Fund financial statements also report the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant fund, the general fund.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements present information on the District's finances in a manner similar to private sector businesses. One of the most important questions asked about the District is, "Is the District as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information on the District as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position shows the District's assets, deferred outflows, liabilities, and deferred inflows with the difference between the combination of assets and deferred outflows and the combination of liabilities and deferred reported as net position. All capital assets and long-term liabilities, and general governmental functions, are shown in the Statement of Net Position.

The Statement of Activities shows revenues, expenses, and the change in net position for the District as a whole. Revenue and expenses attributable to specific functions are segregated from general revenues, to display the extent to which general revenues support each function.

FUND FINANCIAL STATEMENTS

Governmental funds account for the same functions as reported as governmental activities in the government-wide financial statements. The governmental fund reporting focuses on how money flows in and out of funds and the balances left at year end that are available for spending. They are reported using the accounting method called "modified accrual" accounting, which measures cash and all other financial assets that can be readily converted to cash. This information is essential for preparation of and compliance with annual budgets. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the government statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets, liabilities and net position were as follows:

	<u>2013</u>	<u>2012</u>	<u>Difference</u>	<u>%</u>
Assets				
Current and Other Assets	\$ 1,158,189	\$ 873,288	\$ 284,901	32.6%
Capital Assets (net)	<u>4,238,605</u>	<u>3,626,671</u>	<u>611,934</u>	<u>16.9%</u>
Total Assets	<u>5,396,794</u>	<u>4,499,959</u>	<u>896,835</u>	<u>19.9%</u>
Liabilities				
Other Liabilities	447,841	560,824	(112,983)	-20.1%
Long Term Liabilities	<u>902,838</u>	<u>288,781</u>	<u>614,057</u>	<u>212.6%</u>
Total Liabilities	<u>1,350,679</u>	<u>849,605</u>	<u>501,074</u>	<u>59.0%</u>
Net Position				
Investment in Capital Assets, Net of Related Debt	3,335,767	3,337,890	(2,123)	-0.1%
Restricted For:				
Food Service	44,887	41,997	2,890	6.9%
Debt Service	162,415	-	162,415	100.0%
Student Activities	96,575	88,990	7,585	8.5%
COBRA Student Enterprises	793	208	585	281.3%
Net Assets: Unrestricted	<u>405,678</u>	<u>181,269</u>	<u>224,409</u>	<u>123.8%</u>
Total Net Position	<u>\$ 4,046,115</u>	<u>\$ 3,650,354</u>	<u>\$ 395,761</u>	<u>10.8%</u>

The district has \$1,158,189 in current assets, of that amount \$653,477 is cash and investments. The district paid off two OSBA Flex Fund loans during 2012-2013 but continues to carry long term debt through two remaining loans, one capital lease, and the addition of the Cool Schools loan. The total of these long term liabilities including accrued vacation is \$902,838. The district's remaining other liabilities consist of accounts payable and payroll liabilities for a total of \$447,841.

The District's revenues and expenses for fiscal year 2012-2013 and 2011-2012, were as follows:

	2013	2012	Difference	%
Revenues				
Charges for Services	\$ 316,287	\$ 422,509	\$ (106,222)	-25.1%
Operating Grants	729,390	822,488	(93,098)	-11.3%
Capital Grants & Contributions	15,000	-	15,000	100.0%
General Revenues				
Property Taxes	2,503,131	2,398,729	104,402	4.4%
State Revenue Sharing	2,937,286	2,940,137	(2,851)	-0.1%
Miscellaneous	372,278	234,306	137,972	58.9%
Total Revenues	6,873,372	6,818,169	55,203	0.8%
Expenses				
Instruction	3,578,667	3,644,576	(65,909)	-1.8%
Support Services	2,553,612	2,553,859	(247)	0.0%
Community Services	318,089	363,487	(45,398)	-12.5%
Interest on Long-Term Debt	27,243	14,118	13,125	93.0%
Total Expenses	6,477,611	6,576,040	(98,429)	-1.5%
Change in Net Position	395,761	242,129	153,632	63.5%
Beginning Net Position	3,650,354	3,437,278	213,076	6.2%
Prior Period Adjustment	-	(29,053)		
Ending Net Position	\$ 4,046,115	\$ 3,650,354	\$ 395,761	10.8%

Approximately 36% of the costs of the District's activities are paid by property taxes. Almost 43% of the revenue comes from the State of Oregon. Just less than 5% of the cost of the District is paid for by charges for services.

The District Net Position increased by \$395,761 in the current fiscal year.

FUND FINANCIAL ANALYSIS

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unrestricted fund balance measures the District's net resources available for appropriation in the next fiscal year. As of June 30, 2013, the total fund balance of the governmental funds equaled \$508,713; a \$414,200 increase from year ending June 30, 2012.

Summary of ending fund balances for the governmental funds for 2013 and 2012 are as follows:

	ENDING FUND BALANCE		
	2013	2012	Change
General Fund	\$ 318,731	\$ (75,579)	\$ 394,310
Special Revenue Fund	53,809	50,919	2,890
Reserve Fund	38,805	29,975	8,830
Student Activities Fund	96,575	88,990	7,585
Cobra Student Enterprise Fund	793	208	585

The General Fund's ending fund balance increased by \$394,310 as a result of unanticipated federal forest revenue, avoiding the use of a line of credit, and electing to use the remaining balance on the heating project loan to payoff future debt.

CAPITAL ASSETS

At June 30, 2013 the District had \$4,238,605 invested in broad range of capital assets, including land, building, equipment and vehicles. See Note 4 for further details on capital assets.

DEBT ADMINISTRATION

As of June 30, 2013 the District had \$873,560 in long term Debt excluding accrued vacation. The district has two US Bank loans, one for the modular installation in 2009 and the other for the stadium rebuild. The district also has a capital lease purchase on propane Bus 6. The OSBA Flex Fund loans for Buses 61 & 62 & the newer special ed bus were paid off during fiscal year 2013. The district participated in the Cool Schools program through the Oregon Department of Energy to replace the heating system at Central Linn Elementary and acquired an outstanding debt service June 2013 of \$723,186 to complete the project.

2013-2014 BUDGET

The budget for 2013-2014 has total appropriations of \$7,474,833. Operating resources and uses are expected to be similar as in 2012-13.

REQUESTS FOR INFORMATION

Our financial report is designed to provide our taxpayers, parents, teachers, students, investors and creditors with an overview of the District's finances. If you have any questions about this report or need any clarification of information please contact Business Services at the Central Linn School District.



Celeste Van Cleave
Business Manager
Central Linn School District

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

This Page Intentionally Left Blank

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
ASSETS:	
Cash and investments	\$ 653,477
Receivables	495,790
Supply Inventory	8,922
Capital assets	
Land	162,298
Building and equipment, net	<u>4,076,307</u>
 TOTAL ASSETS	 <u>5,396,794</u>
LIABILITIES:	
Accounts payable	55,409
Payroll liabilities	392,432
Long Term Liabilities	
Due within one year	115,971
Due in more than one year	<u>786,867</u>
 TOTAL LIABILITIES	 <u>1,350,679</u>
NET POSITION:	
Invested in capital assets, net of related debt	3,335,767
Restricted For:	
Food Service	44,887
Debt Service	162,415
Student Activities	96,575
Cobra Student Enterprises	793
Unrestricted	<u>405,678</u>
 TOTAL NET POSITION	 <u>\$ 4,046,115</u>

See accompanying notes to basic financial statements.

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 3,578,667	\$ 247,894	\$ 331,649	-	\$ (2,999,124)
Support services	2,553,612	-	202,378	-	(2,351,234)
Enterprise and community services:	318,089	68,393	195,363	-	(54,333)
Facilities Acquisition and Construction	-	-	-	15,000	15,000
Interest on long-term debt	27,243	-	-	-	(27,243)
Total governmental activities	\$ 6,477,611	\$ 316,287	\$ 729,390	\$ 15,000	(5,416,934)
General revenues:					
Property Taxes Levied for General Purposes					2,503,131
State School Fund - General Support					2,937,286
Intermediate Sources					21,002
Other State Sources					83,987
Other Federal Sources					34,240
Miscellaneous					187,401
Earnings on Investments					45,648
Total general revenues					5,812,695
CHANGE IN NET POSITION					395,761
Beginning Net Position					3,650,354
Ending Net Position					\$ 4,046,115

See accompanying notes to basic financial statements.

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2013

	GENERAL	SPECIAL REVENUE	STUDENT ACTIVITIES	OTHER GOVERNMENTAL	TOTAL
ASSETS					
Cash and Investments	\$ 517,334	\$ -	\$ 96,575	\$ 39,568	\$ 653,477
Receivables:					
Taxes	220,207	-	-	-	220,207
Accounts	93,799	137,816	-	43,968	275,583
Inventory	-	8,922	-	-	8,922
Due from Other Funds	135,070	-	-	-	135,070
Total Assets	\$ 966,410	\$ 146,738	\$ 96,575	\$ 83,536	\$ 1,293,259
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 54,311	\$ 1,098	\$ -	\$ -	\$ 55,409
Payroll Liabilities	391,733	699	-	-	392,432
Short Term Loan	-	-	-	-	-
Deferred Revenues	201,635	-	-	-	201,635
Due to Other Funds	-	91,132	-	43,938	135,070
Total Liabilities	647,679	92,929	-	43,938	784,546
Fund Balance:					
Non-Spendable	-	8,922	-	-	8,922
Restricted For:					
Food Service	-	44,887	-	-	44,887
Debt Service	162,415	-	-	-	162,415
Student Activities	-	-	96,575	-	96,575
Cobra Student Enterprises	-	-	-	793	793
Committed For:					
Future Capital Purchases	-	-	-	38,805	38,805
Assigned	-	-	-	-	-
Unassigned	156,316	-	-	-	156,316
Total Fund Balance	318,731	53,809	96,575	39,598	508,713
Total Liabilities and Fund Balance	\$ 966,410	\$ 146,738	\$ 96,575	\$ 83,536	\$ 1,293,259

See accompanying notes to basic financial statements.

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2013

TOTAL FUND BALANCES		\$ 508,713
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 7,211,403	
Accumulated depreciation	<u>(2,972,798)</u>	4,238,605
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore are not reported as revenue in the governmental funds.		201,635
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:		
Long-term loans payable	\$ (873,560)	
Compensated absences payable	<u>(29,278)</u>	<u>(902,838)</u>
TOTAL NET POSFTION		<u>\$ 4,046,115</u>

See accompanying notes to basic financial statements.

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	GENERAL	SPECIAL REVENUE	STUDENT ACTIVITIES	OTHER GOVERNMENTAL	TOTAL
REVENUES:					
1000 Local Sources	\$ 2,785,375	\$ 68,393	\$ 197,152	\$ 39,795	\$ 3,090,715
2000 Intermediate Sources	21,002	-	-	-	21,002
3000 State Sources	3,051,866	3,992	-	-	3,055,858
4000 Federal Sources	45,027	662,086	-	15,000	722,113
Total Revenues	5,903,270	734,471	197,152	54,795	6,889,688
EXPENDITURES:					
1000 Instruction	2,855,585	428,284	189,567	-	3,473,436
2000 Support Services	2,465,982	52,415	-	-	2,518,397
3000 Enterprise and Community Services	48,193	260,865	-	1,660	310,718
4000 Facilities Acquisition and Construction	-	-	-	651,482	651,482
5000 Debt Service	127,031	-	-	40,732	167,763
Capital Outlay	65,892	-	-	37,800	103,692
Total Expenditures	5,562,683	741,564	189,567	731,674	7,225,488
Excess of Revenues Over, -Under Expenditures	340,587	(7,093)	7,585	(676,879)	(335,800)
Other Financing Sources, -Uses:					
Loan Proceeds	75,722	-	-	674,278	750,000
Transfers In	-	-	-	14,430	14,430
Transfers Out	(21,999)	9,983	-	(2,414)	(14,430)
Total Other Financing Sources, -Uses	53,723	9,983	-	686,294	750,000
Net Change in Fund Balance	394,310	2,890	7,585	9,415	414,200
Beginning Fund Balance	(75,579)	50,919	88,990	30,183	94,513
Ending Fund Balance	\$ 318,731	\$ 53,809	\$ 96,575	\$ 39,598	\$ 508,713

See accompanying notes to basic financial statements.

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2013

NET CHANGE IN FUND BALANCE	\$	414,200
----------------------------	----	---------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay 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. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 735,053		
Loss on disposal of capital assets	(3,619)		
Less current year depreciation	<u>(119,500)</u>		611,934

Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position:

New Debt	\$ (750,000)		
Accrued Vacation	(4,577)		
Debt principal repaid	<u>140,520</u>		(614,057)

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.

(16,316)

CHANGE IN NET POSITION

\$ 395,761

See accompanying notes to basic financial statements.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Central Linn School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

The District was organized under provisions of Oregon Statutes Chapter 332 for the purpose of operating elementary and secondary schools. The Central Linn School District is a municipal corporation governed by an elected seven member board.

The District is a municipal corporation governed by an elected board. The accompanying financial statements present the government and its component units (if any), entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. The District has no component units or blended component units.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statements of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Non-exchange Transactions".

Program Revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest of general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Fund Financial Statements

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Governmental Fund Types

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property tax revenue and proceeds from sale of property are not considered available and, therefore, are not recognized until received. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, interfund transactions, and certain compensated absences and claims and judgments which are recognized as expenditures because they will be liquidated with expendable financial resources.

Revenues susceptible to accrual are interest, state, county and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The District reports the following major governmental funds:

General – The General Fund accounts for all financial resources and expenditures of the District, except those required to be accounted for in another fund. The principal revenue sources are property taxes and an apportionment from the State of Oregon School Support Fund.

Special Revenues – The Special Revenues Fund accounts for resources and expenditures from federal grant programs, student activities, and for revenues and expenditures of the District's food programs. Principal revenue sources are cash sales of food and subsidies under the National School Lunch Act. All grant related revenues in the special revenue fund are restricted.

Student Activities – The Student Activities Fund accounts for the extracurricular activities offered by the District. The principal revenue sources are admissions, fees, and fundraising. The primary expenditures are athletic and co-curricular activities. All revenues in this fund are restricted.

The District reports the following non-major governmental funds:

Reserve – The Reserve Fund accounts for funds set aside for future capital expenditures. The principal revenue sources are donations and transfers from the General Fund.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Cobra Student Enterprise – The Cobra Student Enterprise Fund accounts for the revenues and expenses of student run businesses.

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. Thus, when program expenses are incurred, there are both restricted and unrestricted and available to finance the program. It is the 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. All revenues reported in the governmental funds are considered 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.

Private sector standards of accounting and reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that these standards do not conflict or contradict the guidance of the Governmental Accounting Standards Board.

Cash, Cash Equivalents and Investments

The cash and cash equivalents consist of cash on hand, demand deposits, saving deposits, investments in the State of Oregon Treasurer's Local Government Investment Pool (LGIP).

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 commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Property Taxes Receivable

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. 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 property taxes are recorded on the statement of Net Position. 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.

Interfund Receivables and Payables and Transfers

The receipt and payment of monies through one central checking account, as well as transfers between funds, result in interfund payables and receivables until cash is transferred from one fund to the other. These amounts represent current assets and liabilities and are reported as due to or due from other funds.

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 monies received prior to the occurrence of qualifying expenditures are recorded as deferred revenue.

Supply Inventories

Purchased inventories are stated at cost using first-in, first-out (FIFO) method. Any donated inventories are stated at their estimated fair market value. The cost of inventory items are recognized as an expenditure when purchased (purchase method).

A portion of the inventory consists of donated United States Department of Agriculture (USDA) commodities. Commodities are recorded as expenditures when consumed and are stated at their fair market value based on guidelines provided by the USDA. Commodities on hand at year end are recorded as deferred revenue. As a result, fund balance on the balance sheet has not been reserved for inventories of donated commodities.

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.

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Interest incurred during construction is not capitalized. 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:

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Capital Assets (Cont.)

Buildings	100 years
Greenhouses	30 years
Modular Buildings	30 years
Vehicles	20 years
Equipment	15 years

Retirement Plans

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

Compensated Absences

The District has a policy which permits employees to accumulate unused sick leave at the rate of one day per month of service over their working careers. The District does not compensate employees for unused accumulations upon termination of employment. Twelve month employees earn vacation as determined by their length of employment. They are allowed to carryover no more than two years of vacation accrual into the subsequent year.

Long-term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

Net Position comprises the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net Position is classified in the following three categories:

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Net Position (Cont)

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There are no restricted assets.

Fund Balance

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. No assignments have been made.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

Budget

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. The budgetary basis of accounting is substantially the same as accounting principles generally accepted in the United States of America basis, except capital outlay expenditures are expensed when purchased, debt is recorded as an expense when paid, tax revenue is recorded when received, inventories are budgeted as expenditures when purchased, and depreciation is not recorded. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Appropriations are established at the major function level (instruction, support services, community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution.

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. Appropriations lapse at the end of each fiscal year.

Expenditures of the various funds were within authorized appropriations.

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 effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have an item that qualifies for reporting in this category.

2. CASH AND INVESTMENTS

Investments

The policy is to follow state statutes governing cash management. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONT.)

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The fair value of the District's position in the State Treasurer's Local Government Investment Pool was equal to 100% of the value of the pool shares at June 30, 2013. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Cash and Investments at June 30, 2013 (recorded at fair value) consisted of:

Deposits With Financial Institutions:		<u>2013</u>	
Demand Deposits			
Checking	\$	283,017	
Investments		<u>370,460</u>	
Total	\$	<u>653,477</u>	

There are the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-18	More than 18
State Treasurer's Investment Pool	\$ 370,460	\$ 370,460	\$ -	\$ -
Total	\$ 370,460	\$ 370,460	\$ -	\$ -

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond three months.

Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONT.)

Concentration of Credit/Deposit Risk

At June 30, 2013, 100% was invested in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in either of these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution.

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements was \$334,515. Of these deposits, all were covered by federal depository insurance. Oregon Revised Statutes and District policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they were all capitalized, 25% of their quarter end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

3. ACCOUNTS/GRANTS RECEIVABLE

Special revenue fund accounts and grants receivable are comprised of claims for reimbursement of costs under various federal grant programs. All are considered collectible and therefore there is no allowance for uncollectible accounts.

4. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2013 are as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Land	\$ 162,298	\$ -	\$ -	\$ 162,298
Building & Improvements	5,136,699	717,892	-	5,854,591
Equipment	1,233,267	17,161	(55,914)	1,194,514
Total	6,532,264	735,053	(55,914)	7,211,403
Accumulated Depreciation:				
Buildings & Improvements	2,199,875	63,657	-	2,263,532
Equipment	705,718	55,843	(52,295)	709,266
Total	2,905,593	119,500	(52,295)	2,972,798
Net Capital Assets	<u>\$ 3,626,671</u>			<u>\$ 4,238,605</u>

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS (CONT.)

Depreciation was allocated to the functions as follows:

Instruction	\$ 89,625
Support Services	23,900
Community Services	<u>5,975</u>
Total Depreciation	<u>\$ 119,500</u>

5. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM

Plan Description:

The District is a participating employer in the State of Oregon Public Employees Retirement System Plan. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute. In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (“OPSRP”) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who returned to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the Individual Account Program or “IAP”). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general verses police or fire).

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (“OPERB”). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at www.state.or.us.

Members of PERS are required to contribute 6% of their salary covered under the plan. ORS 238.225 requires contributions at an actuarially determined rate. The District’s contribution rate is set by PERB and is periodically adjusted based upon actuarial computations of the amount needed to provide retirement benefits. For employees hired before August 29, 2003, the District’s contribution rate is 7.64% of covered compensation. For employees hired on or after August 29, 2003, the District’s contribution rate is 6.13% of covered compensation. The UAL rate is 11.84%. Contributions to PERS for the years ended June 30, 2013, 2012, and 2011 were approximately \$789,891, \$775,547, and \$647,490 respectively.

6. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT

At June 30, 2013, Long Term Debt consisted of four loans, a capital lease, and the balance of accumulated unpaid vacation.

Changes in long-term debt and future maturities were as follows:

	<u>Oustanding</u> July 1, 2012	<u>Additions</u>	<u>Deductions</u>	<u>Oustanding</u> June 30, 2013	<u>Balance</u> <u>Due Within</u> <u>One Year</u>
Accumulated Unpaid Vacation	\$ 24,701	\$ 4,577	\$ -	\$ 29,278	\$ 29,278
De Lage Landen Capital Lease, 2012, original amount \$104,652, fixed rate 3.75%	104,652	-	(11,624)	93,028	14,101
US Bank 2008, original amount \$65,000, fixed rate 3.65%	20,711	-	(13,681)	7,030	7,030
Bank of New York COP's, original amount \$99,000, variable rate 2.75 to 3.8%	25,000	-	(25,000)	-	-
US Bank BQ Tax Exempt, original amount \$210,000, fixed rate 4.75%	73,717	-	(23,401)	50,316	24,526
OSBA FlexFund COP's, original amount \$219,000, variable rate 3.6 to 3.7%	40,000	-	(40,000)	-	-
SELP Loan, original amount \$750,000, fixed rate 3.25%	-	750,000	(26,814)	723,186	41,036
Totals	<u>\$ 288,781</u>	<u>\$ 754,577</u>	<u>\$ (140,520)</u>	<u>\$ 902,838</u>	<u>\$ 115,971</u>

*Capital Lease – The District’s capital lease is for the purchase of a school bus. The gross amount of the purchase was \$104,652. The District has capitalized the bus and is depreciating it over a period of 20 years. At June 30, 2013, accumulated depreciation was \$10,465 and the net carrying value was \$94,187.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONT.)

Future maturities of all long-term obligations outstanding as of June 30, 2013 (other than accumulated unpaid vacation) are as follows:

Year	Us BankBQ Tax Exempt		De Lage Landen C.L.		US Bank 2008	
	Principal	Interest	Principal	Interest	Principal	Interest
2013-2014	24,526	2,099	14,101	3,357	7,030	131
2014-2015	25,790	835	14,634	2,824	-	-
2015-2016	-	-	15,189	2,269	-	-
2016-2017	-	-	15,764	1,695	-	-
2017-2018	-	-	16,360	1,098	-	-
2018-2023	-	-	16,980	480	-	-
Totals	<u>\$ 50,316</u>	<u>\$ 2,934</u>	<u>\$ 93,028</u>	<u>\$ 11,723</u>	<u>\$ 7,030</u>	<u>\$ 131</u>

Year	SELP Loan 2012		Totals	
	Principal	Interest	Principal	Interest
2013-2014	41,036	22,768	86,693	28,355
2014-2015	42,258	21,546	82,682	25,205
2015-2016	43,602	20,202	58,791	22,471
2016-2017	45,138	20,805	60,902	22,500
2017-2018	46,580	17,224	62,940	18,322
2018-2023	256,982	64,880	273,962	65,360
2023-2028	247,589	17,421	247,589	17,421
Totals	<u>\$ 723,186</u>	<u>\$ 184,846</u>	<u>\$ 873,560</u>	<u>\$ 199,634</u>

8. PROPERTY TAX LIMITATION

The State of Oregon imposes a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to \$4.8880 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES

Substantially all amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

A substantial portion of operating funding is received from the State of Oregon. State funding is determined through state wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate they can cause increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the operations cannot be determined.

As public employees retire, the PERS system reviews their complete employment history to verify that all of their previous public employers have contributed the correct amount to their pensions. When PERS becomes aware of unpaid pension amounts by an employer from previous years, the amount owed becomes due immediately and the total liability (plus interest) is added to the next invoice. The District is not currently aware of any material unpaid pension contributions from previous years.

This Page Intentionally Left Blank

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

This Page Intentionally Left Blank

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2013

<u>GENERAL FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
1000 Local Sources	\$ 2,676,540	\$ 2,761,040	\$ 2,785,375	\$ 24,335
2000 Intermediate Sources	26,000	26,000	21,002	(4,998)
3000 State Sources	2,948,731	3,064,231	3,051,866	(12,365)
4000 Federal Sources	1,950	1,950	45,027	43,077
Total Revenues	5,653,221	5,853,221	5,903,270	50,049
EXPENDITURES:				
1000 Instruction	2,966,062	2,966,062 (1)	2,855,585	110,477
2000 Support Services	2,453,273	2,531,874 (1)	2,531,874	-
3000 Enterprise and Community Services	42,547	48,193 (1)	48,193	-
5000 Debt Service	226,839	227,031 (1)	227,031	-
Contingencies	-	94,961 (1)	-	94,961
Total Expenditures	5,688,721	5,868,121	5,662,683	205,438
Excess of Revenues Over (Under) Expenditures	(35,500)	(14,900)	240,587	255,487
OTHER FINANCING SOURCES (USES)				
5150 Loan Receipts	-	-	75,722	75,722
5200 Transfers Out	(14,500)	(35,100)	(21,999)	13,101
Total Other Financing Sources (Uses)	(14,500)	(35,100)	53,723	88,823
Net Change in Fund Balance	(50,000)	(50,000)	294,310	344,310
Beginning Fund Balance	50,000	50,000	24,421	(25,579)
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,731</u>	<u>\$ 318,731</u>

(1) Appropriation level

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2013

<u>SPECIAL REVENUE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
1000 Local Sources	\$ 116,400	\$ 116,400	\$ 68,393	\$ (48,007)
3000 State Sources	3,545	3,545	3,992	447
4000 Federal Sources	<u>523,845</u>	<u>685,435</u>	<u>662,086</u>	<u>(23,349)</u>
Total Revenues	<u>643,790</u>	<u>805,380</u>	<u>734,471</u>	<u>(70,909)</u>
EXPENDITURES:				
1000 Instruction	374,698	499,957 (1)	428,284	71,673
2000 Support Services	17,147	53,478 (1)	52,415	1,063
3000 Enterprise and Community Services	<u>314,198</u>	<u>314,198 (2)</u>	<u>260,865</u>	<u>53,333</u>
Total Expenditures	<u>706,043</u>	<u>706,043</u>	<u>741,564</u>	<u>(35,521)</u>
Excess of Revenues Over, -Under Expenditures	(62,253)	99,337	(7,093)	(106,430)
Other Financing Sources, - Uses:				
Transfers In	<u>11,000</u>	<u>11,000</u>	<u>9,983</u>	<u>(1,017)</u>
Total Other Financing Sources, -Uses	11,000	11,000	9,983	1,017
Net Change in Fund Balance	(51,253)	110,337	2,890	(105,413)
Beginning Fund Balance	<u>51,253</u>	<u>51,253</u>	<u>50,919</u>	<u>(334)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ 161,590</u>	<u>\$ 53,809</u>	<u>\$ (105,747)</u>

(1) The District appropriated for the Special Revenue, Student Activities, and Reserve Funds together. Total appropriations for Instruction and Support Services were \$639,850, and \$44,692 respectively.

* In combination with the Student Activities Fund, the total variance for the Instruction Function was positive \$336,825.

(2) Appropriation Level

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2013

<u>STUDENT ACTIVITY FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
1000 Local Sources:				
1700 Extracurricular Activities	\$ 176,978	\$ 176,978	\$ 197,152	\$ 20,174
Total Revenues	<u>176,978</u>	<u>176,978</u>	<u>197,152</u>	<u>20,174</u>
EXPENDITURES:				
1000 Instruction				
1113 Elementary Extracurricular				
400 Materials and Services	25,976	25,976	20,934	5,042
1131/1132 High School Extracurricular				
400 Materials and Services	<u>239,176</u>	<u>239,176</u>	<u>168,633</u>	<u>70,543</u>
Total Expenditures	<u>265,152</u>	<u>265,152 (1)</u>	<u>189,567</u>	<u>75,585</u>
Net Change in Fund Balance	(88,174)	(88,174)	7,585	95,759
Beginning Fund Balance	<u>88,174</u>	<u>88,174</u>	<u>88,990</u>	<u>816</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,575</u>	<u>\$ 96,575</u>

(1) The appropriations for this fund were combined with the Special Revenue Fund.

This Page Intentionally Left Blank

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

SUPPLEMENTARY INFORMATION

This Page Intentionally Left Blank

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	RESERVE FUND	HEATING PROJECT FUND	COBRA STUDENT ENTERPRISE FUND	TOTAL
ASSETS:				
Cash and Investments	\$ 38,805	\$ -	\$ 763	\$ 39,568
Accounts Receivable	-	43,938	30	43,968
Total Assets	<u>\$ 38,805</u>	<u>\$ 43,938</u>	<u>\$ 793</u>	<u>\$ 83,536</u>
 LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Due to Other Funds	\$ -	\$ 43,938	\$ -	\$ 43,938
Total Liabilities	<u>-</u>	<u>43,938</u>	<u>-</u>	<u>43,938</u>
 FUND BALANCES:				
Restricted For:				
Cobra Student Enterprises	-	-	793	793
Committed For:				
Future Capital Purchases	38,805	-	-	38,805
Total Fund Balances	<u>\$ 38,805</u>	<u>\$ -</u>	<u>\$ 793</u>	<u>\$ 39,598</u>

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	RESERVE FUND	HEATING PROJECT FUND	COBRA STUDENT ENTERPRISE FUND	TOTAL
REVENUES:				
1000 Local Sources	\$ 23,366	\$ 14,184	\$ 2,245	\$ 39,795
4000 Federal Sources	-	15,000	-	15,000
Total Revenues	23,366	29,184	2,245	54,795
EXPENDITURES:				
3000 Enterprise and Community Services	-	-	1,660	1,660
4000 Facilities Acquisition and Construction	12,122	677,160	-	689,282
5000 Debt Service	-	40,732	-	40,732
Total Expenditures	12,122	717,892	1,660	731,674
Excess of Revenues Over, Under Expenditures	11,244	(688,708)	585	(676,879)
Other Financing Sources, -Uses:				
Loan Proceeds	-	674,278	-	674,278
Transfers In	-	14,430	-	14,430
Transfers Out	(2,414)	-	-	(2,414)
Total Other Sources, -Uses	(2,414)	688,708	-	686,294
Net Change in Fund Balance	8,830	-	585	9,415
Beginning Fund Balances	29,975	-	208	30,183
Ending Fund Balances	<u>\$ 38,805</u>	<u>\$ -</u>	<u>\$ 793</u>	<u>\$ 39,598</u>

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2013

	<u>RESERVE FUND</u>			VARIANCE POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
From Local Sources:				
Interest Income	\$ 18	\$ 18	\$ 20	\$ 2
Miscellaneous Income	<u>16,400</u>	<u>6,828</u>	<u>23,346</u>	<u>16,518</u>
Total Revenues	<u>16,418</u>	<u>6,846</u>	<u>23,366</u>	<u>16,520</u>
EXPENDITURES:				
2000 Support Services				
2540 Operation and Maintenance of Plant Services				
300 Contracted Services	19,841	4,355	-	4,355
2550 Student Transportation Services				
500 Capital Outlay	<u>7,704</u>	<u>7,704</u>	<u>-</u>	<u>7,704</u>
Total 2000 Support Services	<u>27,545</u>	<u>12,059 (1)</u>	<u>-</u>	<u>12,059</u>
4000 Facilities Acquisition				
4150 Facilities Acquisition				
300 Contracted Services	<u>22,343</u>	<u>22,343</u>	<u>12,122</u>	<u>10,221</u>
Total 4000 Facilities Acquisition	<u>22,343</u>	<u>22,343 (2)</u>	<u>12,122</u>	<u>10,221</u>
Total Expenditures	<u>49,888</u>	<u>34,402</u>	<u>12,122</u>	<u>22,280</u>
Excess of Revenues Over, Under Expenditures	(33,470)	(27,556)	11,244	38,800
Other Financing Sources, -Uses:				
Transfers In	3,500	-	-	-
Transfers Out	<u>-</u>	<u>(2,414)</u>	<u>(2,414)</u>	<u>-</u>
Total Other Sources, -Uses	<u>3,500</u>	<u>(2,414)</u>	<u>(2,414)</u>	<u>-</u>
Net Change in Fund Balance	(29,970)	(29,970)	8,830	38,800
Beginning Fund Balance	<u>29,970</u>	<u>29,970</u>	<u>29,975</u>	<u>5</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,805</u>	<u>\$ 38,805</u>

(1) The Support Services appropriations for this fund were combined with the Special Revenue Fund.

(2) Appropriation Level

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2013

<u>HEATING SYSTEM PROJECT FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
From Local Sources:				
Miscellaneous Income	\$ -	\$ 11,986	\$ 14,184	\$ 2,198
3000 State Sources	500,000	750,000	-	(750,000)
4000 Federal Sources	15,000	15,000	15,000	-
Total Revenues	<u>515,000</u>	<u>776,986</u>	<u>29,184</u>	<u>(747,802)</u>
EXPENDITURES:				
4000 Facilities Acquisition				
4150 Facilities Acquisition				
300 Contracted Services	515,000	750,000	639,360	110,640
500 Capital Outlay	-	-	37,800	(37,800)
Total 4000 Facilities Acquisition	<u>515,000</u>	<u>750,000 (1)</u>	<u>677,160</u>	<u>72,840</u>
5000 Debt Service	-	50,000 (1)	40,732	9,268
Total Expenditures	<u>515,000</u>	<u>800,000</u>	<u>717,892</u>	<u>82,108</u>
Excess of Revenues Over, Under Expenditures	-	(23,014)	(688,708)	665,694
Other Financing Sources, -Uses:				
Loan Proceeds	-	-	674,278	674,278
Transfers In	-	23,014	14,430	(8,584)
Total Other Sources, -Uses	<u>-</u>	<u>23,014</u>	<u>688,708</u>	<u>665,694</u>
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2013

COBRA STUDENT ENTERPRISES

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
1000 Local Sources				
1990 Miscellaneous	\$ 4,500	\$ 4,500	\$ 2,245	\$ (2,255)
Total Revenues	<u>4,500</u>	<u>4,500</u>	<u>2,245</u>	<u>(2,255)</u>
EXPENDITURES:				
3000 Community Services				
300 Contracted Services	1,000	1,000	402	598
400 Materials and Services	<u>4,000</u>	<u>4,000</u>	<u>1,258</u>	<u>2,742</u>
Total Expenditures	<u>5,000</u>	<u>5,000 (1)</u>	<u>1,660</u>	<u>3,340</u>
Net Change in Fund Balance	(500)	(500)	585	1,085
Beginning Fund Balance	<u>500</u>	<u>500</u>	<u>208</u>	<u>(292)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 793</u>	<u>\$ 793</u>

(1) Appropriation Level

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2013

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED At 7/1/12	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/13
<u>GENERAL FUND</u>						
Current:						
2012-13	\$ 2,584,082	\$ 65,947	\$ (21,986)	\$ 1,356	\$ 2,398,147	\$ 99,358
Prior Years:						
2011-12	105,506	(37)	(14,438)	3,787	38,938	55,954
2010-11	69,691	(22)	(9,437)	4,789	24,179	40,886
2009-10	36,919	-	(6,718)	6,118	19,960	16,359
2008-09	18,293	-	(5,959)	5,585	15,062	2,857
2007-08 & prior	7,635	-	(2,021)	1,398	2,219	4,793
Total Prior	238,044	(59)	(38,573)	21,677	100,358	120,849
Total General Fund	\$ 2,822,126	\$ 65,888	\$ (60,559)	\$ 23,033	\$ 2,498,505	\$ 220,207

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 2,498,505
Other Taxes	24,659
Accrual of Receivables:	
June 30, 2012	(20,094)
June 30, 2013	18,572
Other	(2,195)
Total Revenue	\$ 2,519,447

REVENUE BY FUND:

Current Taxes - General Fund	\$ 2,422,795
Prior Taxes - General Fund	96,652
Total Revenue	\$ 2,519,447

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

OTHER INFORMATION

This Page Intentionally Left Blank

**CENTRAL LINN SCHOOL DISTRICT NO. 552 C
2012-13 REVENUE SUMMARY BY FUNCTION**

Revenue from Local Sources		General
1111 Current Taxes		\$2,422,795
1112 Prior Taxes		96,652
1312 Tuition from Other Districts within the State		1,756
1410 School Day Transportation		1,401
1510 Earnings on Investments		45,628
1710 Admissions		15,347
1740 Fees		29,326
1910 Building Rentals		4,312
1920 Contributions/Donations		1,000
1990 Miscellaneous		167,158
Total Revenue from Local Sources		\$2,785,375
Revenue from Intermediate Sources		General
2200 ESD Handicapped		\$21,002
Total Revenue from Intermediate Sources		\$21,002
Revenue from State Sources		General
3101 State School Fund - General Support		\$2,937,286
3103 Common School Fund		54,719
3104 State Managed County Timber		8,332
3199 Other Unrestricted Grants-in-Aid		41,714
3299 Other Restricted Grants-in-Aid		9,815
Total Revenue from State Sources		\$3,051,866
Revenue from Federal Sources		General
4500 Restricted Revenue From the Federal Government Through the State		\$1,480
4600 EBISS		6,000
4700 Grants-In-Aid Fed. Gov. Thru Interm. Agencies		1,950
4801 Federal Forest Fees		35,597
Total Revenue from Federal Sources		\$45,027
Grand Totals		\$5,903,270

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
2012-13 EXPENDITURES BY FUNCTION/OBJECT

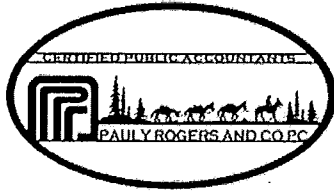
General Fund

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-3	1,169,731	753,404	394,985	10,093	11,249	-	-	-
1131 High School Programs	1,046,139	653,761	308,372	51,993	27,922	-	4,091	-
1132 High School Extracurricular	127,883	60,848	23,440	29,326	12,314	-	1,955	-
1220 Special Ed Programs	377,543	199,445	171,013	4,307	2,187	-	591	-
1280 Alternative Education	98,910	18,567	9,565	70,778	-	-	-	-
1291 English Second Language Programs	35,379	23,204	12,106	-	69	-	-	-
Total Instruction Expenditures	\$ 2,855,585	\$ 1,709,229	\$ 919,481	\$ 166,497	\$ 53,741	\$ -	\$ 6,637	\$ -
Support Services Expenditures								
2120 Guidance Services	41,922	31,495	10,215	96	116	-	-	-
2130 Health Services	69,915	42,602	23,178	1,338	2,797	-	-	-
2150 Speech Pathology and Audiology Services	63,698	19,712	6,360	37,626	-	-	-	-
2222 Education Media Service	47,251	21,398	18,674	80	7,024	-	75	-
2230 Assessment & Testing	11,374	7,498	3,876	-	-	-	-	-
2310 Board of Education Services	99,224	26,860	38,945	27,540	1,498	-	4,381	-
2320 Executive Administration Services	212,094	125,377	62,285	17,735	3,098	-	3,599	-
2410 Office of the Principal Services	463,192	301,237	148,121	3,852	5,902	-	4,080	-
2520 Fiscal Services	114,496	73,122	36,183	1,224	330	-	3,637	-
2540 Operation and Maintenance of Plant Services	643,520	187,642	115,967	234,824	25,731	21,809	57,547	-
2550 Pupil Transportation	508,164	225,386	152,347	104,658	10,549	3,000	12,224	-
2626 Grant Writing	48,045	28,600	19,445	-	-	-	-	-
2660 Technology Services	151,051	20,038	10,390	72,676	6,714	41,083	150	-
2700 Supplemental Retirement	57,928	29,400	28,528	-	-	-	-	-
Total Support Services Expenditures	\$ 2,531,874	\$ 1,140,367	\$ 674,514	\$ 501,649	\$ 63,759	\$ 65,892	\$ 85,693	\$ -
Enterprise and Community Services Expenditures								
3300 Community Services	48,193	21,944	12,105	8,605	5,539	-	-	-
Total Enterprise and Community Services Expenditures	\$ 48,193	\$ 21,944	\$ 12,105	\$ 8,605	\$ 5,539	\$ -	\$ -	\$ -
Other Uses Expenditures								
5100 Debt Service	227,031	-	-	-	-	-	227,031	-
5200 Transfers of Funds	21,999	-	-	-	-	-	-	21,999
Total Other Uses Expenditures	\$ 249,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,031	\$ 21,999
Grand Total	\$ 5,684,682	\$ 2,871,540	\$ 1,606,100	\$ 676,751	\$ 123,039	\$ 65,892	\$ 319,361	\$ 21,999

CENTRAL LINN SCHOOL DISTRICT NO. 552C
LINN COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS

This Page Intentionally Left Blank



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcoepas.com

November 7, 2013

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Central Linn School District as of and for the year ended June 30, 2013, and have issued our report thereon dated November 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the Central Linn School 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, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, 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:

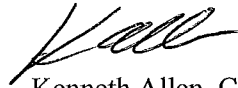
- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized 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 Central Linn School 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 Central Linn School 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 Central Linn School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Central Linn School District's internal control over financial reporting.

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



Kenneth Allen, CPA
Municipal Auditor

PAULY, ROGERS AND CO., P.C.

CENTRAL LINN SCHOOL DISTRICT
LINN COUNTY, OREGON

GRANT COMPLIANCE REVIEW

This Page Intentionally Left Blank

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
LINN COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

	CFDA NUMBER	GRANT PERIOD	EXPENDITURES
US DEPARTMENT OF EDUCATION			
Passed through State Department of Education:			
Title I of IASA	84.010	7/1/12-9/30/13	\$ 255,672
Special Education Cluster:			
IDEA Enhancement	84.027	10/1/12-9/30/13	1,591
IDEA*	84.027	7/1/12-9/30/13	95,087
SPR&I	84.027	8/1/12-6/30/13	1,480
IDEA 619 *	84.173	7/1/12-9/30/13	1,755
Total Special Education Cluster			<u>99,913</u>
Title IIA	84.367	10/1/12-9/30/13	38,088
Title VI-B Rural and Low Income Schools	84.358	7/1/12-6/30/13	13,643
EBISS	84.323	10/1/12-6/30/13	6,000
Passed through LBL ESD:			
ARRA - Title X	84.387	7/1/11-6/30/13	1,950
Passed through Linn Benton Community College:			
Carl Perkins Vocational Education	84.048	7/1/12-6/30/13	7,254
TOTAL US DEPARTMENT OF EDUCATION			<u>422,520</u>
US DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
Child Nutrition Cluster:			
NSLP - Breakfast	10.553	7/1/12-6/30/13	48,139
NSLP - Lunch	10.555	7/1/12-6/30/13	120,550
Commodities - NSLP	10.555	7/1/12-6/30/13	12,321
Summer Food Program	10.559	7/1/12-6/30/13	10,361
Total Child Nutrition Cluster			<u>191,371 (1)</u>
Passed through Linn County			
Federal Forest Fees	10.665	7/1/12-6/30/13	35,597
TOTAL US DEPARTMENT OF AGRICULTURE			<u>226,968</u>
US DEPARTMENT OF ENERGY			
Passed Through State Department of Energy:			
Energy Efficiency and Conservation through CEWO	81.128	7/1/12-6/30/13	15,000
US DEPARTMENT OF JUSTICE			
Passed through Harrisburg School District			
YTP	84.126	7/1/12-6/30/13	57,625
TOTAL FEDERAL FINANCIAL EXPENDITURES			<u>\$ 722,113</u>

* Passed through LBL ESD

(1) Major Program

This Page Intentionally Left Blank



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

November 7, 2013

To the Board of Directors
Central Linn School District
Linn County, 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 the financial statements of Central Linn School District as of and for the year ended June 30, 2013, and have issued our report thereon dated November 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Central Linn School 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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 financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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.

Compliance and Other Matters

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

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



Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

November 7, 2013

To the Board of Directors
Central Linn School District
Linn County, Oregon

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of Central Linn School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2013. Central Linn School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Central Linn School District's management. Our responsibility is to express an opinion on Central Linn School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Linn School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Central Linn School District's compliance with those requirements.

In our opinion, Central Linn School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2013.

Internal Control over Compliance

The management of Central Linn School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Central Linn School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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

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



Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.

**CENTRAL LINN SCHOOL DISTRICT
LINN COUNTY, OREGON**

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of OMB Circular A-133? yes no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, section 510(a)? yes no

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM CLUSTER</u>
10.553, 10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes no

**CENTRAL LINN SCHOOL DISTRICT
LINN COUNTY, OREGON**

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Central Linn School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.