

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014



12700 SW 72nd Ave.
Tigard, OR 97223

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

FINANCIAL REPORT

For the Year Ended June 30, 2014

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

2013-2014
FINANCIAL REPORT

<u>BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Dave Goracke, Chair	June 30, 2015
Eric Gerber	June 30, 2017
George Frasier	June 30, 2015
Chris Wyne	June 30, 2017
Charley Wolff	June 30, 2015
Mark Penrod	June 30, 2015
DeeDee Thomas	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

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

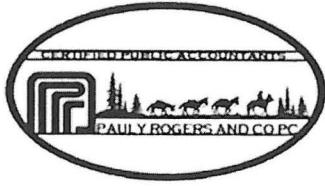
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LINN COUNTY, OREGON

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December 4, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2014 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. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2014. 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 federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, and the schedule of federal awards 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 December 4, 2014 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 December 4, 2014, 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.

A handwritten signature in black ink, appearing to read "Ken Allen", written in a cursive style.

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

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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, 2014. 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, 2013 and June 30, 2014.

FINANCIAL HIGHLIGHTS

- At June 30, 2014, the District's assets exceeded its liabilities by \$4,057,552.
- The District has \$4,098,383 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>2014</u>	<u>2013</u>	<u>Difference</u>	<u>%</u>
Assets				
Current and Other Assets	\$ 1,379,821	\$ 1,158,189	\$ 221,632	19.1%
Capital Assets (net)	4,098,383	4,238,605	(140,222)	-3.3%
Total Assets	<u>5,478,204</u>	<u>5,396,794</u>	<u>81,410</u>	<u>1.5%</u>
Liabilities				
Other Liabilities	605,493	447,841	157,652	35.2%
Long Term Liabilities	815,159	902,838	(87,679)	-9.7%
Total Liabilities	<u>1,420,652</u>	<u>1,350,679</u>	<u>69,973</u>	<u>5.2%</u>
Net Position				
Investment in Capital Assets, Net of Related Debt	3,283,224	3,335,767	(52,543)	-1.6%
Restricted For:				
Food Service	17,928	44,887	(26,959)	-60.1%
Debt Service	107,887	162,415	(54,528)	-33.6%
Student Activities	129,016	96,575	32,441	33.6%
COBRA Student Enterprises	1,499	793	706	89.0%
Net Assets: Unrestricted	517,998	405,678	112,320	27.7%
Total Net Position	<u>\$ 4,057,552</u>	<u>\$ 4,046,115</u>	<u>\$ 11,437</u>	<u>0.3%</u>

The district has \$1,379,821 in current assets, of that amount \$852,037 is cash and investments. As of June 30, 2014 the district carries long term debt on the stadium loan, the capital lease purchase on Bus 6, and the Cool Schools loan. The total of these long term liabilities including accrued vacation is \$815,159. The district’s remaining other liabilities consist of accounts payable and payroll liabilities for a total of \$605,493.

The District's revenues and expenses for fiscal year 2013-2014 and 2012-2013, were as follows:

	2014	2013	Difference	%
Revenues				
Charges for Services	\$ 367,683	\$ 316,287	\$ 51,396	16.2%
Operatings Grants	902,321	729,390	172,931	23.7%
Capital Grants & Contributions	-	15,000	(15,000)	100.0%
General Revenues				
Property Taxes	2,643,105	2,503,131	139,974	5.6%
State Revenue Sharing	3,402,689	2,937,286	465,403	15.8%
Miscellaneous	245,001	372,278	(127,277)	-34.2%
Total Revenues	7,560,799	6,873,372	687,427	10.0%
Expenses				
Instruction	4,332,993	3,578,667	754,326	21.1%
Support Services	2,816,180	2,553,612	262,568	10.3%
Community Services	371,799	318,089	53,710	16.9%
Interest on Long-Term Debt	28,390	27,243	1,147	4.2%
Total Expenses	7,549,362	6,477,611	1,071,751	16.5%
Change in Net Position	11,437	395,761	(384,324)	-97.1%
Beginning Net Position	4,046,115	3,650,354	395,761	10.8%
Ending Net Position	\$ 4,057,552	\$ 4,046,115	\$ 11,437	0.3%

Almost 35% of the costs of the District's activities are paid by property taxes. Approximately 45% 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 \$11,437 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, 2014, the total fund balance of the governmental funds equaled \$524,645; a \$15,932 increase from year ending June 30, 2013.

Summary of ending fund balances for the governmental funds for 2014 and 2013 are as follows:

	ENDING FUND BALANCE		
	2014	2013	Change
General Fund	\$ 282,502	\$ 318,731	\$ (36,229)
Special Revenue Fund	26,850	53,809	(26,959)
Other Governmental Fund	84,778	38,805	45,973
Student Activities Fund	129,016	96,575	32,441
Cobra Student Enterprise Fund	1,499	793	706

The Other Governmental ending fund balance increased by \$46,679 as the result of previous Central Linn groundskeeper, David Grieve, designating Central Linn School District as the sole recipient of his estate.

CAPITAL ASSETS

At June 30, 2014 the District had \$4,098,383 invested in a broad range of capital assets, including land, building, equipment and vehicles. See Note 4 for further details on capital assets.

DEBT ADMINISTRATION

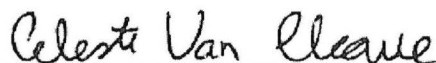
As of June 30, 2014 the District had \$786,867 in long term Debt excluding accrued vacation. The district had two US Bank loans, one for the modular installation in 2009 and the other for the stadium rebuild. The US Bank loan for the modular installation was paid off during fiscal year 2014. The district also has a capital lease purchase on propane Bus 6. The district participated in the Cool Schools program through the Oregon Department of Energy in 2013 to replace the heating system at Central Linn Elementary and carries an outstanding debt service of \$682,150 related to the project. Return loan proceeds were used to offset the debt service expense for half the 2013-2014 year.

2014-2015 BUDGET

The budget for 2014-2015 has total appropriations of \$8,565,287. Operating resources and uses are expected to be similar as in 2013-14.

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

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

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS:	
Cash and investments	\$ 852,037
Receivables	518,862
Supply Inventory	8,922
Capital assets	
Land	162,298
Building and equipment, net	<u>3,936,085</u>
 TOTAL ASSETS	 <u>5,478,204</u>
 LIABILITIES:	
Accounts payable	120,177
Payroll liabilities	429,993
Unearned Revenue	55,323
Long Term Liabilities	
Due within one year	110,974
Due in more than one year	<u>704,185</u>
 TOTAL LIABILITIES	 <u>1,420,652</u>
 NET POSITION:	
Invested in capital assets, net of related debt	3,283,224
Restricted For:	
Food Service	17,928
Debt Service	107,887
Student Activities	129,016
Cobra Student Enterprises	1,499
Unrestricted	<u>517,998</u>
 TOTAL NET POSITION	 <u><u>\$ 4,057,552</u></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, 2014

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction	\$ 4,332,993	\$ 311,287	\$ 470,588	\$ (3,551,118)
Support services	2,816,180	-	237,295	(2,578,885)
Enterprise and community services:	371,799	56,396	194,438	(120,965)
Interest on long-term debt	28,390	-	-	(28,390)
Total governmental activities	<u>\$ 7,549,362</u>	<u>\$ 367,683</u>	<u>\$ 902,321</u>	<u>(6,279,358)</u>
General revenues:				
Property Taxes Levied for General Purposes				2,643,105
State School Fund - General Support				3,402,689
Intermediate Sources				16,020
Other State Sources				94,715
Other Federal Sources				41,490
Miscellaneous				86,690
Earnings on Investments				6,086
Total general revenues				<u>6,290,795</u>
CHANGE IN NET POSITION				11,437
Beginning Net Position				<u>4,046,115</u>
Ending Net Position				<u>\$ 4,057,552</u>

See accompanying notes to basic financial statements.

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

BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2014

	GENERAL	SPECIAL REVENUE	STUDENT ACTIVITIES	OTHER GOVERNMENTAL	TOTAL
ASSETS					
Cash and Investments	\$ 636,744	\$ -	\$ 129,016	\$ 86,277	\$ 852,037
Receivables:					
Taxes	282,795	-	-	-	282,795
Accounts	36,839	199,228	-	-	236,067
Inventory	-	8,922	-	-	8,922
Due from Other Funds	122,222	-	-	-	122,222
Total Assets	\$ 1,078,600	\$ 208,150	\$ 129,016	\$ 86,277	\$ 1,502,043
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 117,121	\$ 3,056	\$ -	\$ -	\$ 120,177
Payroll Liabilities	429,294	699	-	-	429,993
Deferred Revenues	-	55,323	-	-	55,323
Due to Other Funds	-	122,222	-	-	122,222
Total Liabilities	546,415	181,300	-	-	727,715
Deferred Inflows					
Unavailable Revenue - Property Taxes	249,683	-	-	-	249,683
Fund Balance:					
Non-Spendable	-	8,922	-	-	8,922
Restricted For:					
Food Service	-	17,928	-	-	17,928
Debt Service	107,887	-	-	-	107,887
Student Activities	-	-	129,016	-	129,016
Cobra Student Enterprises	-	-	-	1,499	1,499
Committed For:					
Future Capital Purchases	-	-	-	40,699	40,699
Assigned	-	-	-	44,079	44,079
Unassigned	174,615	-	-	-	174,615
Total Fund Balance	282,502	26,850	129,016	86,277	524,645
Total Liabilities, Deferred Inflows and Fund Balance	\$ 828,917	\$ 208,150	\$ 129,016	\$ 86,277	\$ 1,502,043

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, 2014

TOTAL FUND BALANCES		\$ 524,645
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 7,211,403	
Accumulated depreciation	<u>(3,113,020)</u>	4,098,383
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.		249,683
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	\$ (786,267)	
Compensated absences payable	<u>(28,892)</u>	<u>(815,159)</u>
TOTAL NET POSITION		<u>\$ 4,057,552</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, 2014

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>STUDENT ACTIVITIES</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL</u>
REVENUES:					
1000 Local Sources	\$ 2,735,022	\$ 56,396	\$ 260,418	\$ 66,564	\$ 3,118,400
2000 Intermediate Sources	16,020	-	-	-	16,020
3000 State Sources	3,540,005	3,788	-	-	3,543,793
4000 Federal Sources	43,006	791,532	-	-	834,538
	<u>6,334,053</u>	<u>851,716</u>	<u>260,418</u>	<u>66,564</u>	<u>7,512,751</u>
EXPENDITURES:					
1000 Instruction	3,363,057	567,460	227,977	-	4,158,494
2000 Support Services	2,656,654	46,113	-	-	2,702,767
3000 Enterprise and Community Services	59,161	277,792	-	19,885	356,838
5000 Debt Service	115,083	-	-	-	115,083
Capital Outlay	163,637	-	-	-	163,637
	<u>6,357,592</u>	<u>891,365</u>	<u>227,977</u>	<u>19,885</u>	<u>7,496,819</u>
Excess of Revenues Over, -Under Expenditures	(23,539)	(39,649)	32,441	46,679	15,932
Other Financing Sources, -Uses:					
Transfers In/(Out)	(12,690)	12,690	-	-	-
	<u>(12,690)</u>	<u>12,690</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources, -Uses	(12,690)	12,690	-	-	-
	<u>(12,690)</u>	<u>12,690</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(36,229)	(26,959)	32,441	46,679	15,932
Beginning Fund Balance	318,731	53,809	96,575	39,598	508,713
Ending Fund Balance	<u>\$ 282,502</u>	<u>\$ 26,850</u>	<u>\$ 129,016</u>	<u>\$ 86,277</u>	<u>\$ 524,645</u>

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, 2014

NET CHANGE IN FUND BALANCE		\$	15,932
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>			
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.			
Less current year depreciation		\$	(140,222)
			(140,222)
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:			
Accrued Vacation		\$	986
Debt principal repaid			86,693
			87,679
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.			
			48,048
CHANGE IN NET POSITION		\$	11,437

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 and for revenues and expenditures of the District's food program. 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 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.)

Dave Grieve Estate – Former Central Linn School District groundskeeper David Grieve left his estate to the school district upon his death. Funds during 13/14 paid for the rent and utilities on his manufactured home until it was sold October 31, 2014. The Dave Grieve committee meets quarterly to review requests for use of estate dollars.

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.

Unrestricted—consists of all other assets that are not included in the other categories previously mentioned.

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, except for the Support Services and Debt Services functions in the General Fund, which exceeded appropriations by \$6,023 and \$34, respectively. Budget amounts shown in the budgetary financial statements include amounts from the supplemental budget and appropriation transfers made throughout the year.

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 has one type of item which qualifies for reporting in this category. The item, unavailable revenues for property taxes, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

NOTES TO BASIC FINANCIAL STATEMENTS

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.

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, 2014. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Cash and Investments at June 30, 2014 (recorded at fair value) consisted of:

Deposits With Financial Institutions:		2014		
Demand Deposits				
Checking	\$		190,065	
Investments			661,972	
Total	\$		852,037	

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	\$ 661,972	\$ 661,972	\$ -	\$ -
Total	\$ 661,972	\$ 661,972	\$ -	\$ -

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONT.)

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.

Concentration of Credit/Deposit Risk

At June 30, 2014, 100.8% 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 \$323,731. Of these deposits, \$250,000 was covered by federal depository insurance, and the remainder is collateralized by the Oregon Public Funds Collateralization Program (PFCP). 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, 2014 are as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Land	\$ 162,298	\$ -	\$ -	\$ 162,298
Building & Improvements	5,854,591	-	-	5,854,591
Equipment	<u>1,194,514</u>	<u>-</u>	<u>-</u>	<u>1,194,514</u>
Total	7,211,403	-	-	7,211,403
Accumulated Depreciation:				
Buildings & Improvements	2,263,532	85,592	-	2,349,124
Equipment	<u>709,266</u>	<u>54,630</u>	<u>-</u>	<u>763,896</u>
Total	2,972,798	<u>140,222</u>	<u>-</u>	3,113,020
Net Capital Assets	<u>\$ 4,238,605</u>			<u>\$ 4,098,383</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	\$	80,788
Support Services		52,507
Community Services		<u>6,927</u>
Total Depreciation	\$	<u>140,222</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 8.27% of covered compensation. For employees hired on or after August 29, 2003, the District’s contribution rate is 6.27% of covered compensation. The UAL rate is 14.20%. Contributions to PERS for the years ended June 30, 2014, 2013, and 2012 were approximately \$895,498, \$789,891, and \$775,547 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, 2014, 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:

	Oustanding July 1, 2013	Additions	Deductions	Oustanding June 30, 2014	Balance Due Within One Year
Accumulated Unpaid Vacation	\$ 29,278	\$ -	\$ (986)	\$ 28,292	\$ 28,292
De Lage Landen Capital Lease,* 2012, original amount \$104,652, fixed rate 3.75%	93,028	-	(14,101)	78,927	14,634
US Bank 2008, original amount \$65,000, fixed rate 3.65%	7,030	-	(7,030)	-	-
US Bank BQ Tax Exempt, original amount \$210,000, fixed rate 4.75%	50,316	-	(24,526)	25,790	25,790
SELP Loan, original amount \$750,000, fixed rate 3.25%	723,186	-	(41,036)	682,150	42,258
Totals	<u>\$ 902,838</u>	<u>\$ -</u>	<u>\$ (87,679)</u>	<u>\$ 815,159</u>	<u>\$ 110,974</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, 2014, accumulated depreciation was \$15,698 and the net carrying value was \$88,954.

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, 2014 (other than accumulated unpaid vacation) are as follows:

Year	Us BankBQ Tax Exempt		De Lage Landen C.L.	
	Principal	Interest	Principal	Interest
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
2018-2019	-	-	16,980	480
Totals	<u>\$ 25,790</u>	<u>\$ 835</u>	<u>\$ 78,927</u>	<u>\$ 8,366</u>

Year	SELP Loan 2012		Totals	
	Principal	Interest	Principal	Interest
2014-2015	42,258	21,546	82,682	25,205
2015-2016	43,602	20,202	58,791	22,471
2016-2017	45,139	20,805	60,903	22,500
2017-2018	46,580	17,224	62,940	18,322
2018-2019	48,117	15,688	65,097	16,168
2019-2024	265,442	56,420	265,442	56,900
2024-2029	191,012	10,194	191,012	10,194
Totals	<u>\$ 682,150</u>	<u>\$ 162,079</u>	<u>\$ 786,867</u>	<u>\$ 171,760</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.

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

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2014

<u>GENERAL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
1000 Local Sources	\$ 2,716,125	\$ 2,716,125	\$ 2,735,022	\$ 18,897
2000 Intermediate Sources	26,500	26,500	16,020	(10,480)
3000 State Sources	3,275,903	3,475,903	3,540,005	64,102
4000 Federal Sources	<u>2,000</u>	<u>2,000</u>	<u>43,006</u>	<u>41,006</u>
Total Revenues	<u>6,020,528</u>	<u>6,220,528</u>	<u>6,334,053</u>	<u>113,525</u>
EXPENDITURES:				
1000 Instruction	3,367,177	3,367,177 (1)	3,363,057	4,120
2000 Support Services	2,629,268	2,814,268 (1)	2,820,291	(6,023)
3000 Enterprise and Community Services	43,419	63,419 (1)	59,161	4,258
5000 Debt Service	115,049	115,049 (1)	115,083	(34)
Contingencies	<u>53,265</u>	<u>47,765 (1)</u>	<u>-</u>	<u>47,765</u>
Total Expenditures	<u>6,208,178</u>	<u>6,407,678</u>	<u>6,357,592</u>	<u>50,086</u>
Excess of Revenues Over (Under) Expenditures	(187,650)	(187,150)	(23,539)	163,611
OTHER FINANCING SOURCES (USES)				
5200 Transfers Out	<u>(12,350)</u>	<u>(12,850)</u>	<u>(12,690)</u>	<u>160</u>
Total Other Financing Sources (Uses)	<u>(12,350)</u>	<u>(12,850)</u>	<u>(12,690)</u>	<u>160</u>
Net Change in Fund Balance	(200,000)	(200,000)	(36,229)	163,771
Beginning Fund Balance	<u>200,000</u>	<u>200,000</u>	<u>318,731</u>	<u>118,731</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,502</u>	<u>\$ 282,502</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, 2014

<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	\$ 64,200	\$ 64,200	\$ 56,396	\$ (7,804)
3000 State Sources	3,829	3,829	3,788	(41)
4000 Federal Sources	698,532	967,130	791,532	(175,598)
Total Revenues	<u>766,561</u>	<u>1,035,159</u>	<u>851,716</u>	<u>(183,443)</u>
EXPENDITURES:				
1000 Instruction	442,251	710,849 (1)	567,460	143,389
2000 Support Services	48,131	48,131 (1)	46,113	2,018
3000 Enterprise and Community Services	288,529	288,529 (2)	277,792	10,737
Total Expenditures	<u>778,911</u>	<u>1,047,509</u>	<u>891,365</u>	<u>156,144</u>
Excess of Revenues Over, -Under Expenditures	(12,350)	(12,350)	(39,649)	(27,299)
Other Financing Sources, - Uses:				
Transfers In	12,350	12,350	12,690	340
Total Other Financing Sources, -Uses	12,350	12,350	12,690	340
Net Change in Fund Balance	-	-	(26,959)	(26,959)
Beginning Fund Balance	-	-	53,809	53,809
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,850</u>	<u>\$ 26,850</u>

(1) The District combined the Special Revenue, Student Activities, and Reserve Funds for appropriation purposes

(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, 2014

STUDENT ACTIVITY FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
1000 Local Sources:				
1700 Extracurricular Activities	\$ 194,056	\$ 194,056	\$ 260,418	\$ 66,362
Total Revenues	<u>194,056</u>	<u>194,056</u>	<u>260,418</u>	<u>66,362</u>
EXPENDITURES:				
1000 Instruction				
1113 Elementary Extracurricular				
400 Materials and Services	52,543	52,543	27,325	25,218
1131/1132 High School Extracurricular				
400 Materials and Services	<u>237,754</u>	<u>237,754</u>	<u>200,652</u>	<u>37,102</u>
Total Expenditures	<u>290,297</u>	<u>290,297 (1)</u>	<u>227,977</u>	<u>62,320</u>
Net Change in Fund Balance	(96,241)	(96,241)	32,441	128,682
Beginning Fund Balance	<u>96,241</u>	<u>96,241</u>	<u>96,575</u>	<u>334</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,016</u>	<u>\$ 129,016</u>

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

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

SUPPLEMENTARY INFORMATION

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	<u>RESERVE FUND</u>	<u>DAVE GRIEVE ESTATE FUND</u>	<u>HEATING PROJECT FUND</u>	<u>COBRA STUDENT ENTERPRISE FUND</u>	<u>TOTAL</u>
ASSETS:					
Cash and Investments	\$ 40,699	\$ 44,079	\$ -	\$ 1,499	\$ 86,277
Total Assets	<u>\$ 40,699</u>	<u>\$ 44,079</u>	<u>\$ -</u>	<u>\$ 1,499</u>	<u>\$ 86,277</u>
 LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCES:					
Restricted For:					
Cobra Student Enterprises	-	-	-	1,499	1,499
Committed For:					
Future Capital Purchases	40,699	-	-	-	40,699
Assigned	<u>-</u>	<u>44,079</u>	<u>-</u>	<u>-</u>	<u>44,079</u>
Total Fund Balances	<u>\$ 40,699</u>	<u>\$ 44,079</u>	<u>\$ -</u>	<u>\$ 1,499</u>	<u>\$ 86,277</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, 2014

	RESERVE FUND	DAVE GRIEVE ESTATE FUND	HEATING PROJECT FUND	COBRA STUDENT ENTERPRISE FUND	TOTAL
REVENUES:					
1000 Local Sources	\$ 1,894	\$ 61,016	\$ -	\$ 3,654	\$ 66,564
Total Revenues	<u>1,894</u>	<u>61,016</u>	<u>-</u>	<u>3,654</u>	<u>66,564</u>
EXPENDITURES:					
3000 Enterprise and Community Services	-	16,937	-	2,948	19,885
Total Expenditures	<u>-</u>	<u>16,937</u>	<u>-</u>	<u>2,948</u>	<u>19,885</u>
Excess of Revenues Over, Under Expenditures	1,894	44,079	-	706	46,679
Net Change in Fund Balance	1,894	44,079	-	706	46,679
Beginning Fund Balances	<u>38,805</u>	<u>-</u>	<u>-</u>	<u>793</u>	<u>39,598</u>
Ending Fund Balances	<u>\$ 40,699</u>	<u>\$ 44,079</u>	<u>\$ -</u>	<u>\$ 1,499</u>	<u>\$ 86,277</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, 2014

	<u>RESERVE FUND</u>			VARIANCE POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
From Local Sources:				
Interest Income	\$ 100	\$ 100	\$ 19	\$ (81)
Miscellaneous Income	20,000	20,000	1,875	(18,125)
Total Revenues	<u>20,100</u>	<u>20,100</u>	<u>1,894</u>	<u>(18,206)</u>
EXPENDITURES:				
2000 Support Services				
2540 Operation and Maintenance of Plant Services				
300 Contracted Services	1,941	1,941	-	1,941
2550 Student Transportation Services				
500 Capital Outlay	7,704	7,704	-	7,704
Total 2000 Support Services	<u>9,645</u>	<u>9,645</u>	(1) -	<u>9,645</u>
4000 Facilities Acquisition				
4150 Facilities Acquisition				
300 Contracted Services	29,426	29,426	-	29,426
Total 4000 Facilities Acquisition	<u>29,426</u>	<u>29,426</u>	(2) -	<u>29,426</u>
Total Expenditures	<u>39,071</u>	<u>39,071</u>	<u>-</u>	<u>39,071</u>
Net Change in Fund Balance	(18,971)	(18,971)	1,894	20,865
Beginning Fund Balance	18,971	18,971	38,805	19,834
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,699</u>	<u>\$ 40,699</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, 2014

DAVE GRIEVE ESTATE

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
1000 Local Sources				
1510 Interest Income	\$ -	\$ -	\$ 26	\$ 26
1920 Contributions/Donations	-	-	60,759	60,759
1990 Miscellaneous	-	87,300	231	(87,069)
Total Revenues	-	87,300	61,016	(26,284)
EXPENDITURES:				
3000 Community Services				
300 Contracted Services	-	87,300	16,937	(70,363)
Total Expenditures	-	87,300 (1)	16,937	(70,363)
Net Change in Fund Balance	-	-	44,079	(96,647)
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,079</u>	<u>\$ 44,079</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, 2014

<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:				
3000 State Sources	\$ 135,000	\$ 135,000	\$ -	\$ (135,000)
Total Revenues	<u>135,000</u>	<u>135,000</u>	<u>-</u>	<u>(135,000)</u>
EXPENDITURES:				
4000 Facilities Acquisition				
4150 Facilities Acquisition				
300 Contracted Services	135,000	135,000	-	135,000
Total 4000 Facilities Acquisition	<u>135,000</u>	<u>135,000 (1)</u>	<u>-</u>	<u>135,000</u>
5000 Debt Service	-	- (1)	-	-
Total Expenditures	<u>135,000</u>	<u>135,000</u>	<u>-</u>	<u>135,000</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, 2014

COBRA STUDENT ENTERPRISES

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
1000 Local Sources				
1990 Miscellaneous	\$ 10,000	\$ 10,000	\$ 3,654	\$ (6,346)
Total Revenues	10,000	10,000	3,654	(6,346)
EXPENDITURES:				
3000 Community Services				
300 Contracted Services	7,000	7,000	365	6,635
400 Materials and Services	4,026	4,026	2,583	1,443
Total Expenditures	11,026	11,026 (1)	2,948	8,078
Net Change in Fund Balance	(1,026)	(1,026)	706	1,732
Beginning Fund Balance	1,026	1,026	793	(233)
Ending Fund Balance	\$ -	\$ -	\$ 1,499	\$ 1,499

(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, 2014

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED At 7/1/13	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/14
<u>GENERAL FUND</u>						
Current:						
2013-14	\$ 2,652,892	\$ 68,261	\$ (3,597)	\$ 1,331	\$ 2,471,332	\$ 111,033
Prior Years:						
2012-13	99,358	(4)	1,883	3,501	36,298	68,448
2011-12	60,074	(2)	8,374	4,523	23,313	49,660
2010-11	41,074	-	4,928	6,274	20,288	31,988
2009-10	17,927	-	6,702	4,728	12,650	16,707
2008-09 & prior	7,652	-	(1,983)	1,454	2,164	4,959
Total Prior	226,085	(6)	19,904	20,480	94,713	171,762
Total General Fund	<u>\$ 2,878,977</u>	<u>\$ 68,255</u>	<u>\$ 16,307</u>	<u>\$ 21,811</u>	<u>\$ 2,566,045</u>	<u>\$ 282,795</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 2,566,045
Other Taxes	13,337
Accrual of Receivables:	
June 30, 2013	(18,572)
June 30, 2014	33,112
Other	1,135
Total Revenue	<u>\$ 2,595,057</u>

REVENUE BY FUND:

Current Taxes - General Fund	\$ 2,494,137
Prior Taxes - General Fund	100,920
Total Revenue	<u>\$ 2,595,057</u>

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

OTHER INFORMATION

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**CENTRAL LINN SCHOOL DISTRICT NO. 552 C
2013-14 REVENUE SUMMARY BY FUNCTION**

Revenue from Local Sources		General
1111 Current Taxes		\$2,494,137
1112 Prior Taxes		100,920
1312 Tuition from Other Districts within the State		11,626
1510 Earnings on Investments		6,040
1710 Admissions		15,682
1740 Fees		22,241
1910 Building Rentals		1,320
1920 Contributions/Donations		250
1990 Miscellaneous		82,806
Total Revenue from Local Sources		\$2,735,022
Revenue from Intermediate Sources		General
2200 ESD Handicapped		\$16,020
Total Revenue from Intermediate Sources		\$16,020
Revenue from State Sources		General
3101 State School Fund - General Support		\$3,402,689
3103 Common School Fund		58,342
3104 State Managed County Timber		32,397
3199 Other Unrestricted Grants-in-Aid		36,373
3299 Other Restricted Grants-in-Aid		10,204
Total Revenue from State Sources		\$3,540,005
Revenue from Federal Sources		General
4500 Restricted Revenue From the Federal Government Through the State		\$1,515
4801 Federal Forest Fees		41,491
Total Revenue from Federal Sources		\$43,006
Grand Totals		\$6,334,053

CENTRAL LINN SCHOOL DISTRICT NO. 552 C
2013-14 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	1,307,646	836,116	399,533	10,059	61,938	-	-	-
1131 High School Programs	1,305,962	782,031	415,155	74,839	31,252	-	2,685	-
1132 High School Extracurricular	137,052	71,006	24,104	38,606	1,656	-	1,680	-
1210 Programs for the Talented and Gifted	8,882	4,000	2,382	2,500	-	-	-	-
1220 Special Ed Programs	449,728	245,975	172,139	20,551	10,894	-	169	-
1280 Alternative Education	102,600	7,600	3,726	91,274	-	-	-	-
1291 English Second Language Programs	51,187	33,166	17,954	-	67	-	-	-
Total Instruction Expenditures	\$ 3,363,057	\$ 1,979,894	\$ 1,034,993	\$ 237,829	\$ 105,807	\$ -	\$ 4,534	\$ -
Support Services Expenditures								
2120 Guidance Services	72,511	45,985	25,719	674	133	-	-	-
2130 Health Services	62,295	37,769	23,304	-	1,222	-	-	-
2140 Psychological Services	10,676	-	-	10,676	-	-	-	-
2150 Speech Pathology and Audiology Services	73,650	10,873	3,758	59,019	-	-	-	-
2222 Education Media Service	55,788	24,398	21,856	-	9,454	-	80	-
2230 Assessment & Testing	12,066	7,807	4,259	-	-	-	-	-
2310 Board of Education Services	94,718	29,803	18,410	39,649	2,395	-	4,461	-
2320 Executive Administration Services	211,078	119,354	61,701	18,687	4,904	-	6,432	-
2410 Office of the Principal Services	475,214	294,186	165,899	4,433	5,100	-	5,596	-
2520 Fiscal Services	124,942	81,419	37,268	1,151	427	-	4,677	-
2540 Operation and Maintenance of Plant Services	722,240	176,876	122,231	314,832	29,353	5,054	73,894	-
2550 Pupil Transportation	546,757	245,796	168,817	110,163	10,780	-	11,201	-
2660 Technology Services	307,424	22,226	11,799	105,136	9,249	158,583	431	-
2700 Supplemental Retirement	50,932	41,400	9,532	-	-	-	-	-
Total Support Services Expenditures	\$ 2,820,291	\$ 1,137,892	\$ 674,553	\$ 664,420	\$ 73,017	\$ 163,637	\$ 106,772	\$ -
Enterprise and Community Services Expenditures								
3300 Community Services	59,161	26,100	14,070	11,875	7,116	-	-	-
Total Enterprise and Community Services Expenditures	\$ 59,161	\$ 26,100	\$ 14,070	\$ 11,875	\$ 7,116	\$ -	\$ -	\$ -
Other Uses Expenditures								
5100 Debt Service	115,083	-	-	-	-	-	115,083	-
5200 Transfers of Funds	12,690	-	-	-	-	-	-	12,690
Total Other Uses Expenditures	\$ 127,773	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,083	\$ 12,690
Grand Total	\$ 6,370,282	\$ 3,143,886	\$ 1,723,616	\$ 914,124	\$ 185,940	\$ 163,637	\$ 226,389	\$ 12,690

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

INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS

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December 4, 2014

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, 2014, and have issued our report thereon dated December 4, 2014. 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 except as follows:

1. There were two instances where the district overspent appropriations, as noted on page 15.

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.

A handwritten signature in black ink, appearing to read "Ken Allen".

Kenneth Allen, CPA
Municipal Auditor

PAULY, ROGERS AND CO., P.C.

CENTRAL LINN SCHOOL DISTRICT
LINN COUNTY, OREGON

GRANT COMPLIANCE REVIEW

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

	CFDA NUMBER	GRANT PERIOD	EXPENDITURES
US DEPARTMENT OF EDUCATION			
Passed through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	7/1/13-9/30/14	\$ 406,120 (1)
Special Education Cluster:			
Special Education - Grants to States: IDEA Enhancement	84.027	10/1/13-9/30/14	1,591
Special Education - Grants to States: SPR&I	84.027	7/1/13-6/30/14	1,515
Total Special Education Cluster			<u>3,106</u>
Improving Teacher Quality State Grants	84.367	7/1/13-9/30/14	34,116
Rural Education	84.358	7/1/13-9/30/14	11,997
Passed through LBL ESD:			
Special Education - Grants to States	84.027	7/1/13-9/30/14	98,272
Special Education - Preschool Grants	84.173	7/1/13-9/30/14	1,494
Passed through Linn Benton Community College:			
Carl Perkins Vocational Education	84.048	7/1/13-6/30/14	<u>9,382</u>
TOTAL US DEPARTMENT OF EDUCATION			<u>564,487</u>
US DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	7/1/13-6/30/14	48,024
National School Lunch Program	10.555	7/1/13-6/30/14	119,894
National School Lunch Program - Commodities	10.555	7/1/13-6/30/14	9,002
Summer Food Service Program for Children	10.559	7/1/13-6/30/14	13,728
Total Child Nutrition Cluster			<u>190,648</u>
Passed through Linn County			
Federal Forest Fees	10.665	7/1/13-6/30/14	<u>41,492</u>
TOTAL US DEPARTMENT OF AGRICULTURE			<u>232,140</u>
US DEPARTMENT OF JUSTICE			
Passed through Harrisburg School District			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	7/1/13-6/30/14	<u>37,911</u>
TOTAL FEDERAL FINANCIAL EXPENDITURES			<u>\$ 834,538</u>

(1) Major Program

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December 4, 2014

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Linn School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 4, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of 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*.

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



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



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December 4, 2014

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited Central Linn School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2014. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Central Linn School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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

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

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



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, 2014

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: Unmodified

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>
84.010	Title I Grants to Local Education Agencies

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, 2014

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.