

**CROOK COUNTY SCHOOL DISTRICT**

**FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2013**

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**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

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**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

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**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

**PRINCIPAL OFFICIALS**

**BOARD OF DIRECTORS**

**TERM EXPIRES**

Patti Norris, Chair

June 30, 2015

Doug Smith, Vice Chair

June 30, 2015

Gwen Carr

June 30, 2017

Scott Cooper

June 30, 2017

Walt Wagner

June 30, 2015

All board members will receive mail at the following address:

471 NE Ochoco Plaza Dr  
Prineville, OR 97754

**ADMINISTRATION**

Duane Yecha, Superintendent  
Anna Logan, Director of Business and Finance



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

October 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Crook County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crook County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crook County School District, as of June 30, 2013, and the respective changes in financial position and budgetary comparisons for the general fund and federal grant fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

The District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information

in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

#### *Other Information*

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

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

The introductory, 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 October 31, 2013 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 31, 2013, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



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



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Our discussion and analysis of Crook County School District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. This report should be read in conjunction with the District's Financial Statements on the following pages.

### **FINANCIAL HIGHLIGHTS**

- At June 30, 2013, the District's assets exceeded its liabilities by \$12,001,102.
- The District has \$13,906,940 invested in capital assets, net of depreciation.
- During the year, the District's expenses were \$1,165,627 more than the total revenue of \$31,196,633.
- The General Fund ending fund balance this year is \$2,075,227.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The School District's annual report consists of a series of financial statements that provides information for the District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements are included later in the financial report. For governmental activities, these statements convey how the District financed its services in the short-term as well as what remains for future spending. Fund statements also may offer 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 in the Statement of Net Position and Statement of Activities reports. These statements include all assets and liabilities, using the accrual basis of accounting. All of the current year's revenues and expenses are reported on this accrual basis, which is different from the modified-accrual basis which is used in the other financial reports.

The Statement of Net Position shows the District's assets and liabilities, with the difference between the two reported as Net Position. All capital assets and long-term liabilities, and general government functions, are shown in the Statement of Net Position.

The Statement of Activities shows revenues, expenses, and the change in net assets for the District as a whole. Revenues and expenses attributable to specific functions are segregated from general revenues, to display the extent to which general revenues support each function. This report includes allocations for expenses that are recorded in the current period but the cash was expended in prior periods, such as depreciation on capital assets and amortization of prepaid pension costs.



Total assets, liabilities and net position were as follows:

	<u>2012-13</u>	<u>2011-12</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$ 22,483,198	\$ 25,792,457	\$ (3,309,259)
Capital Assets (net)	<u>13,906,940</u>	<u>14,053,729</u>	<u>(146,789)</u>
Total Assets	<u><u>36,390,138</u></u>	<u><u>39,846,186</u></u>	<u><u>(3,456,048)</u></u>
<b>Liabilities</b>			
Other Liabilities	4,230,145	5,537,491	(1,307,346)
Long-term Liabilities	<u>20,158,891</u>	<u>20,913,421</u>	<u>(754,530)</u>
Total Liabilities	<u><u>24,389,036</u></u>	<u><u>26,450,912</u></u>	<u><u>(2,061,876)</u></u>
<b>Net Position</b>			
Investment in Capital Assets, net of related debt	12,770,668	11,387,923	1,382,745
Restricted	1,679,036	1,649,749	29,287
Unrestricted	<u>(2,448,602)</u>	<u>357,601</u>	<u>(2,806,203)</u>
Total Net Position	<u><u>\$ 12,001,102</u></u>	<u><u>\$ 13,395,273</u></u>	<u><u>\$ (1,394,171)</u></u>

The District has \$22,483,198 in current assets; of that, \$13,801,010 is prepaid pension costs.

The District's revenues and expenses for fiscal years ending June 30, 2013 and 2012 were as follows:

	<u>2012-13</u>	<u>2011-12</u>	<u>Change</u>
<b>Revenues</b>			
Charges for Services	\$ 331,070	\$ 322,717	\$ 8,353
Operating Grants	2,773,695	2,555,374	218,321
<b>General Revenues</b>			
Property Taxes	8,432,693	8,619,143	(186,450)
State Revenue Sharing	15,692,696	14,036,921	1,655,775
Miscellaneous	<u>3,966,479</u>	<u>3,751,609</u>	<u>214,870</u>
Total Revenues	<u><u>31,196,633</u></u>	<u><u>29,285,764</u></u>	<u><u>1,910,869</u></u>
<b>Expenses</b>			
Instruction	19,074,962	16,350,566	2,724,396
Support Services	10,901,162	10,312,195	588,967
Community Services	1,216,920	1,049,421	167,499
Debt Service	<u>1,169,217</u>	<u>1,266,153</u>	<u>(96,936)</u>
Total Expenses	<u><u>32,362,260</u></u>	<u><u>28,978,335</u></u>	<u><u>3,383,925</u></u>
Change in Net Assets	(1,165,627)	307,429	(1,473,056)
Beginning Net Assets	<u>13,166,729</u>	<u>13,087,844</u>	<u>78,885</u>
Ending Net Assets	<u><u>\$ 12,001,102</u></u>	<u><u>\$ 13,395,273 <sup>(1)</sup></u></u>	<u><u>\$ (1,394,171)</u></u>

Approximately 50% of the District's total revenue was obtained from the State of Oregon, which includes the State School Fund, the Common School Fund, and various grants. Approximately 28% of the District's total revenue was obtained from Property taxes.

(1) Ending Net Assets for 2011-2012 do not equal the beginning Net Assets for 2012-2013 on the above schedule, because 2011-2012 Net Assets were restated due to the early implementation of GASB Statement No. 65. The difference of \$228,544 is the amount of the bond issue costs which were being amortized on prior years' financial statements.

**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 readily be 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.

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Unreserved fund balance measures the District's net resources available for appropriation in the next fiscal year. As of June 30, 2013, total fund balance of all governmental funds was \$5,824,566. These amounts are available to use, in accordance with applicable restrictions on the nature of the expenditures.

Summary of ending fund balances for the major governmental funds for 2012-13 and 2011-12 are as follows:

	2012-13	2011-12	Change
General Fund	\$ 2,075,227	\$ 4,594,448	\$ (2,519,221)
Special Funds	2,682,990	2,110,491	572,499
Debt Service Funds	1,066,350	1,020,672	45,678
Total Ending Fund Balance	<u>\$ 5,824,566</u>	<u>\$ 7,725,611</u>	<u>\$ (1,901,045)</u>

The decrease in General Fund ending balance was a result of the strategic use of fund balance in an effort to continue existing programs, hold staffing levels consistent, and encourage stability in the district and community. In addition, \$1.1 million was transferred to reserve funds during the year. This was a calculated risk, in anticipation that state funding would be increasing in the next biennium. Instead of making severe cuts to services in one year and then restoring them the following year, the District made the decision to use excess fund balance. This proved to be a solid choice, given the increase in State School funding for the 2013-2015 biennium. The ending fund balance decrease of \$2,519,221 was approximately \$1.2 million more than budgeted.

Special Funds ending balance increased by \$572,499 due to transfers into reserve funds from the General Fund and grants received but not fully expended. The ending balance in the Debt Service Fund increased by \$45,678 due to the timing of a transfer from the project fund which is used to pay principal on QZAB debt.

## **BUDGET VARIATIONS**

The Board of Directors approved two appropriation transfers during the fiscal year 2012-13. The first was a transfer of \$17,250 between functions within the Technology Reserve fund, and a transfer of \$10,750 from the General Fund to the Technology Reserve fund, to allow the purchase of netbooks in order to continue a “one-to-one” program at the middle school. The second was a transfer of \$7,100 between functions within the Special Revenue funds. This change was not as a result of an increase in the overall spending, but as an effort to more correctly categorize actual expenditures.

The Board of Directors also approved a supplemental budget during the fiscal year 2012-13 to address three issues. The most significant adjustment to the budget was related to the new online charter school which was established after the 2012-13 budget had been adopted. Because the State School Fund pass-through amounts are recorded as expenditures, the Board needed to appropriate funds in the Instruction function. A transfer of \$300,000 was made from contingency and the additional appropriations of \$1,339,998 were offset as additional budgeted revenue from the State School Fund. The second adjustment to the budget was made to correct an error in the original budget to make Transfers In equal to Transfers Out. The third adjustment in the supplemental budget was to increase appropriations by \$50,000 for costs related to the Medicaid surveys. An equal amount of revenue was budgeted to offset the additional cost because this is just a pass-through cost to the District.

## **CAPITAL ASSETS**

As of June 30, 2013, the District had \$13,906,940 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. The District had a decrease of \$146,789 in fixed assets in the current year because depreciation exceeded purchases. Capital asset purchases totaled \$421,837 during the 2012-13 year, which included three new buses and the retrofits for two existing buses, and continuing expenses for an HVAC control system project which was started in a previous year and completed in 2012-13.

## **DEBT ADMINISTRATION**

As of June 30, 2013 the District had \$20,913,421 in long-term tax-exempt bonds outstanding. In August 2013, the District sold an additional \$32,795,000 in general obligation bonds with maturities up to the year 2038.

## **2013-14 BUDGET**

The budget for 2013-14 comprises of total appropriations of \$57,610,955. This is significantly higher than in previous years, primarily due to \$15 million in appropriations for capital projects to be financed with tax-exempt bond proceeds. The 12% increase to appropriations in the General Fund is due to estimates for PERS rates increases, inflation, and increased pass-through costs to charter schools. Additional revenue is expected from the State School Fund. The 2% increase in Special Revenue funds is due to the planned expenditure of grant funds received in 2012-2013. The 4% increase in appropriations to the Debt Service funds is due to the additional debt service on the new general obligation bonds sold in August 2013.

## **REQUESTS FOR INFORMATION**

Our financial report is designed to provide the public, including taxpayers, parents, teachers, students, investors, and creditors, with an overview of the District’s finances. Questions or requests for clarification of any information presented in this report should be directed to the Finance Department at the Crook County School District. Additional information is located on our website, [www.crookcounty.k12.or.us](http://www.crookcounty.k12.or.us).

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**STATEMENT OF NET POSITION**  
**June 30, 2013**

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ASSETS	
Cash and cash equivalents	\$ 6,457,266
Property taxes and other receivables	2,172,383
Inventories	52,539
Prepaid Pension Costs	13,801,010
Capital assets, net of depreciation	13,906,940
	<hr/>
Total Assets	36,390,138
	<hr/> <hr/>
LIABILITIES:	
Accounts payable	2,069,498
Interest payable	457,692
Accrued Compensated Absences	86,082
Unearned Revenues	6,415
Noncurrent liabilities	
Due within one year	1,610,458
Due in more than one year	20,158,891
	<hr/>
Total Liabilities	24,389,036
	<hr/> <hr/>
NET POSITION:	
Invested in capital assets, net of related debt	12,770,668
Restricted for:	
Debt Service	1,041,381
Special Revenues	637,655
Unrestricted	(2,448,602)
	<hr/>
Total Net Position	\$ 12,001,102
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2013**

FUNCTIONS	EXPENSES	FUNCTION REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 19,074,962	54,681	1,947,337	\$ (17,072,944)
Support Services	10,901,162	237,569		(10,663,592)
Community Services	1,216,920	38,819	826,359	(351,742)
Interest on Long-Term Debt	1,169,217			(1,169,217)
<b>Total Governmental Activities</b>	<b>\$ 32,362,260</b>	<b>331,070</b>	<b>\$ 2,773,695</b>	<b>(29,257,495)</b>
General Revenues				
Property Taxes				8,432,693
State Sources				15,692,696
Grants and Contributions Not Restricted to Specific Programs				
Federal				490,516
Local and Intermediate Sources				3,427,813
Interest and Investment Earnings				48,150
<b>Total General Revenues</b>				<b>28,091,868</b>
Changes in Net Position				(1,165,627)
Net Position - Beginning, Restated				13,166,729
Net Position - Ending				<b>\$ 12,001,102</b>

The accompanying notes are an integral part of this statement.

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2013**

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	TOTALS
<b>ASSETS:</b>				
Assets:				
Cash and Investments	\$ 4,663,238	\$ 957,604	\$ 836,424	\$ 6,457,266
Receivables:				
Taxes	878,961	-	188,767	1,067,728
Accounts	194,619	906,072	-	1,100,691
Grants	-	3,963	-	3,963
Due from Other Funds	1,311,861	3,014,655	282,063	4,608,580
Inventory	-	52,539	-	52,539
<b>Total Assets</b>	<b>\$ 7,048,679</b>	<b>\$ 4,934,835</b>	<b>\$ 1,307,254</b>	<b>\$ 13,290,768</b>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	1,869,480	200,018	-	2,069,498
Due to Other Funds	2,459,860	2,045,412	103,308	4,608,580
Unearned Revenue	-	6,415	-	6,415
<b>Total Liabilities</b>	<b>4,329,340</b>	<b>2,251,845</b>	<b>103,308</b>	<b>6,684,492</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable Revenue - Property Taxes	644,112	-	137,596	781,709
<b>Total Deferred Inflows of Resources</b>	<b>644,112</b>	<b>-</b>	<b>137,596</b>	<b>781,709</b>
<b>FUND BALANCE:</b>				
Fund Balances:				
Non-Spendable	-	52,539	-	52,539
Restricted	-	637,655	1,041,381	1,679,036
Committed	-	1,877,076	24,969	1,902,046
Assigned	-	115,719	-	115,719
Unassigned	2,075,227	-	-	2,075,227
<b>Total Fund Balance</b>	<b>2,075,227</b>	<b>2,682,990</b>	<b>1,066,350</b>	<b>5,824,566</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 7,048,679</b>	<b>\$ 4,934,835</b>	<b>\$ 1,307,254</b>	<b>\$ 13,290,768</b>

The accompanying notes are an integral part of this statement.

**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

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

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	TOTALS
<b>REVENUES:</b>				
From Local Sources:				
Taxes	\$ 7,282,011	\$ -	\$ 1,495,846	\$ 8,777,856
Medicaid Revenue	-	-	-	-
Earnings On Investments	39,435	4	8,712	48,150
Food Sales	-	38,819	-	38,819
Other Local Sources	2,047,679	1,674,683	-	3,722,362
From State Sources	15,328,116	315,045	49,534	15,692,696
From Federal Sources	490,516	2,773,695	-	3,264,211
Total Revenues	<u>25,187,757</u>	<u>4,802,246</u>	<u>1,554,091</u>	<u>31,544,095</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	16,036,463	2,136,293	-	18,172,756
Support Services	8,521,575	1,863,984	-	10,385,560
Enterprise & Community Services	-	1,159,362	-	1,159,362
Facilities Acquisition & Construction	-	-	-	-
Capital Outlay	13,728	408,109	-	421,837
Debt Service:				
Principal	-	-	2,069,354	2,069,354
Interest	-	-	1,236,271	1,236,271
Administration Fees	-	-	-	-
Total Expenditures	<u>24,571,766</u>	<u>5,567,748</u>	<u>3,305,625</u>	<u>33,445,139</u>
Excess of Revenues Over, (Under) Expenditures	615,991	(765,501)	(1,751,534)	(1,901,044)
Other Financing Sources (Uses):				
Transfers In	-	1,345,100	1,797,212	3,142,312
Transfers Out	(3,135,212)	(7,100)	-	(3,142,312)
Proceeds on Refunding Bonds	-	-	-	-
Total Other Financing, (Uses) Sources	<u>(3,135,212)</u>	<u>1,338,000</u>	<u>1,797,212</u>	<u>-</u>
Net Change in Fund Balance	(2,519,221)	572,499	45,678	(1,901,044)
Beginning Fund Balances	4,594,448	2,110,491	1,020,672	7,725,610
Ending Fund Balances	<u>\$ 2,075,227</u>	<u>\$ 2,682,990</u>	<u>\$ 1,066,350</u>	<u>\$ 5,824,566</u>

The accompanying notes are an integral part of this statement.

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Position**  
**June 30, 2013**

---

Total Fund Balances - Governmental Funds \$ 5,824,566

The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the District as a whole.

Net Capital Assets 13,906,940

The district prepaid future pension costs, this payment was an expenditure in the governmental funds, and is capitalized in the Statement of Net Assets. 13,801,010

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Assets.

Long term Liabilities			
Early Retirement liability	\$	(855,928)	
Interest Payable		(457,692)	
Accrued Compensated Absences		(86,082)	
General obligation bonds payable		<u>(20,913,421)</u>	
			(22,313,123)

Unearned revenue related to property taxes 781,709

Net Position \$ 12,001,102

The accompanying notes are an integral part of this statement.



**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**Reconciliation of the Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2013**

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Total Net Changes in Fund Balances - Governmental Funds \$ (1,901,044)

Repayment of bond principal, capital leases and post retirement obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Additions to bond principal, capital leases and post retirement obligations is an expense for the Statement of Net Assets but not the governmental funds. 2,081,906

Capital Outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation.

Capital Outlay	\$	421,837	
Depreciation Expense		(566,326)	
Book Value of Disposal		<u>(2,299)</u>	
			(146,788)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 67,054

Governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (921,591)

Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes unearned revenue for all property taxes levied but not received, however in the Statement of Activities, there is no unearned revenue and the full property tax receivable is accrued. (345,163)

Change in Net Position of Governmental Activities \$ (1,165,627)

The accompanying notes are an integral part of this statement.

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**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO FINANCIAL STATEMENTS**

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the 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 District's significant accounting policies are described below.

**A. REPORTING ENTITY**

Crook County School District (CCSD, "the District") was organized under provisions of Oregon Statutes Chapter 332 for the purpose of operating elementary and secondary schools. The District is a municipal corporation governed by an elected five member board.

The financial statements of Crook County School District include all funds and account groups of the District, and the District is not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in GAAP and Governmental Accounting Standards Board (GASB) Statement No. 39 as amended by GASB 61. Financial accountability is based primarily on the authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific financial benefits, or impose specific financial burdens and that organization's fiscal dependency. Crook County School District has no component units.

**B. BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)**

The Statement of Net Assets and Statement 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 Assets and the Statement of Changes in Fiduciary Net Assets at the fund statement level.

The Statement of Net Assets 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.

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 Assets 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.

**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 FUND**

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 FUNDS**

The Special Funds account for revenues and expenditures related to specific educational and other projects. The principal revenue sources are federal and state grant awards.

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**DEBT SERVICE FUND**

The Debt Service Fund accounts for the payment of principal and interest of the District's general obligation bonds. The principal resource for bonded debt payments is property taxes.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The governmental funds are maintained using the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they become susceptible to accrual (i.e., measurable and available) and expenditures are recorded at the time the related fund liabilities are incurred, except for:

- 1) Vested compensated absences which are recorded as expenditures to the extent they are expected to be liquidated with expendable available financial resources.
- 2) Post retirement benefits which are recorded when paid.
- 3) Accrued interest and principal on long-term debt which is recorded on its due date.

Significant revenues susceptible to accrual under the modified accrual basis of accounting are as follows:

- 1) Federal and state grants.
- 2) Property taxes received within approximately sixty days of the end of a fiscal year.
- 3) Any local or county shared revenues.

The basis of accounting described above is in accordance with accounting principles generally accepted in the United States of America.

**D. BUDGETS**

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles except the property taxes received after year-end not considered budgetary resources in the funds. A budget is not prepared for the agency funds as allowed by Oregon law.

The District begins its budget process early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in early spring with a public hearing being held approximately three weeks later. The Board may amend the budget prior to adoption. However, budgeted expenditures for each fund may not be increased by more than ten percent without re-publication. The budget is then adopted, appropriations are made, and the tax levy declared no later than June 30th.

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. BUDGETS (CONTINUED)**

Expenditure budgets are appropriated at the following levels for each fund:

**LEVEL OF CONTROL**

Instruction  
Support Services  
Enterprise and Community Services  
Facilities Acquisition and Construction  
Interfund Transfers  
Debt Service  
Operating Contingency

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur, with Board approval, due to a need which was not determined to exist at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budgeted appropriation levels.

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2013.

**E. PROPERTY TAXES RECEIVABLE**

Uncollected real and personal property taxes are reflected on the statement of net assets and the balance sheet as receivables. 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.

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

**F. GRANTS**

Unreimbursed grant expenditures due from grantor agencies are recorded in the basic financial statements as receivables and revenues. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability, unearned revenue, in the combined balance sheet.

**G. INVENTORIES**

Food and other cafeteria supplies recorded in the Special Revenue Funds are valued at cost using the first-in, first-out method. All inventory items are charged to expenditures of user departments at the time of withdrawal from inventory (consumption method). Food inventories include the value of United States Department of Agriculture donated commodities.

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. CAPITAL ASSETS**

Capital assets, which include land, buildings, equipment and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Depreciation is recorded on capital assets on the straight line method over the useful life of the assets.

**I. COMPENSATED ABSENCES**

It is the District's policy to permit employees to accumulate a limited balance of earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All liabilities related to vacation pay is accrued in the government-wide statements.

**J. FUND BALANCES**

Fund Balance is the amount of assets in excess of liabilities. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use.

**K. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

**L. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. 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.

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.

**N. 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 – non-spendable, restricted, committed, assigned, and unassigned.

- Non-spendable fund balance represents amounts that are not in a spendable form. The non-spendable fund balance represents inventories and prepaid items.
- 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. This authority has been given to the Superintendent and Director of Business and Finance.
- 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.

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. FUND BALANCE (CONTINUED)**

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.

**2. BUDGET/GAAP REPORTING DIFFERENCES NOT NOTED IN BASIC FINANCIAL STATEMENTS**

While the District reports financial position, results of operations, and changes in fund balance/net assets on the basis of accounting principles generally accepted in the United States of America (GAAP), the District's budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The primary difference between the District's budgetary basis and GAAP basis is the classification of capital outlay which for budgetary purposes is reported within the functional categories at the level of appropriation control. On a GAAP basis capital outlay is separately reported after current expenditures.

**3. CASH AND INVESTMENTS**

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. State statutes govern the District's cash management policies, because the District does not have an official investment policy. Statutes authorize the District to invest 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.

**Investments**

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, 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. The fund was in compliance with all portfolio guidelines at June 30, 2013.

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 100.65% of the value of the pool shares at June 30, 2013. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**3. CASH AND INVESTMENTS (CONTINUED)**

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

Deposits with Financial Institutions:	2012
Petty Cash	\$ 2,450
Demand Deposits	
Checking and Money Market	2,806,233
Investments	3,648,583
Total	\$ 6,457,266

The District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)	
		Less than 3	More than 3
State Treasurer's Investment Pool	\$ 3,648,583	\$ 3,648,583	\$ -
Total	\$ 3,648,583	\$ 3,648,583	\$ -

**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. The District does not have any investments that have a maturity date greater than 18 months.

**Credit Risk**

State law limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs) and commercial paper to the top rating (top two if issued on Oregon Business Enterprises). The State treasurer's investment pool is an open-ended, no-load diversified portfolio. The fund is not registered with the U.S. Securities and Exchange Commission as an investment company and is not rated.

**Custodial Credit Risk - Deposits**

At year-end, the District's net carrying amount of deposits was \$2,806,233 and the bank balance was \$3,072,287. Of these deposits, \$548,816 was covered by federal depository insurance. 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.

**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**3. CASH AND INVESTMENTS (CONTINUED)**

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, and broker/dealers with which the District will do business.

**4. ACCOUNTS/GRANTS RECEIVABLE**

Special revenue fund grants receivable are comprised of claims for reimbursement of costs under various federal and state grant programs. It is not necessary to record an allowance for doubtful accounts because recorded receivables and their related revenues are based on the amount of expenditures applied to the various grants. Other accounts receivable are periodically reviewed for collectability. At June 30, 2013, no allowance for doubtful accounts is considered necessary.

**5. CAPITAL ASSETS**

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

	July 1, 2012	Increases	Decreases	June 30, 2013
Capital Assets:				
Land and Land Improvements	\$ 764,263	-	-	764,263
Capital Assets Being Depreciated:				
Buildings & Improvements	27,180,369	9,865	-	27,190,234
Equipment	938,060	98,024	-	1,036,084
Vehicles	2,402,989	313,948	83,011	2,633,926
Total	<u>31,285,681</u>	<u>421,837</u>	<u>83,011</u>	<u>31,624,506</u>
	July 1,			June 30,
Accumulated Depreciation	2012	Increases	Decreases	2013
Buildings & Improvements	14,981,822	423,485	-	15,405,307
Equipment	751,722	40,248	-	791,971
Vehicles	1,498,408	102,593	80,712	1,520,289
TOTAL	<u>17,231,952</u>	<u>566,326</u>	<u>80,712</u>	<u>17,717,566</u>
Total Net Capital Assets	<u>14,053,728</u>			<u>13,906,940</u>

Depreciation was allocated to the functions as follows:

Instruction	342,344
Support Services	201,449
Community Services	<u>22,533</u>
Total	<u>566,326</u>

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**6. RETIREMENT PLAN**

Plan Description:

The District contributes to the Oregon Public Employees Retirement System (PERS), a state-wide cost-sharing multiple-employer defined benefit pension plan. Within PERS, school districts comprise a cost-sharing component. Generally, employees who retire at or after age 55 or with 30 years of credited service are entitled to a retirement benefit, payable monthly for life, in an annual amount equal to 1.5% of their final average salary for each year of credited service. Final average monthly salary is based upon either the three calendar years out of the last ten calendar years of employment during which the highest salaries were earned or the last 36 calendar months of membership, whichever is larger. Employees become members of PERS after six months of service in a qualified position and benefits fully vest on reaching 5 years of service. Vested employees with fewer than 30 years of service will receive reduced benefits if retirement occurs prior to age 58. PERS also provides death and disability benefits. Benefits are established by State statute. The Oregon Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Description of Funding Policy:

Covered employees are required by State statute to contribute 6% of their salary to the plan. The District is required to contribute at actuarially determined rates, as adopted by the PERS Board. The District's employer contribution rate effective July 1, 2011 was 2.57% for Tier 1 and Tier 2, and 1.06% for OPSRP. In October 2002 and in April 2003, the District participated in the Oregon School Boards Association limited tax pension obligation bond issues to finance a portion of the estimated unfunded PERS actuarial liability (the "UAL"). The District's contributions to the plan for the years ending June 30, 2013, 2012, and 2011 were \$271,636, (\$38,676), and \$29,933, respectively, and were equal to the required contributions for each year. The District pays the employees' contributions as a result of bargaining agreements (the District's contribution on the behalf of employees for the years ending June 30, 2012, 2011, and 2010 were \$780,253, \$750,299, and \$750,735, respectively).

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Early Retirement Plan – Stipend Benefits**

The District adopted an early retirement plan for certified employees retiring after June 30, 1984. The benefit is intended to provide supplementary income between ages 58 and 62. To qualify to participate in the early retirement program, an employee must meet one of the following requirements: have reached an age of at least 58; have reached 30 or more years of creditable service; or the sum of the completed number of years of public teaching experience plus the employee's age is greater than or equal to 82. In addition, the employee must have worked half-time or more for at least 10 consecutive years in a licensed position in the District and be employed by the District at the time of retirement. The maximum benefits are calculated by formula: average base salary times .185 times 4 years. Plan participants may elect to receive a monthly stipend, or apply the stipend amount toward the post-employment health insurance plan. This is a pension benefit as described in GASB Statement No. 27.

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

The District's annual OPEB cost (expense) is calculated on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC is equal to the Normal Cost (the value of benefits expected to be earned in the year) plus an amortization of the Unfunded Actuarial Accrued Liability. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the net pension obligation at the end of the fiscal year ended June 30, 2013:

	2012	2013
Annual required contribution (ARC)	314,530	320,821
Interest on Net OPEB obligation	32,219	29,942
Adjustment to ARC for Net OPEB obligation	(155,234)	(144,266)
Annual OPEB cost	191,515	206,497
Contributions made	256,557	206,067
Increase (decrease) in net OPEB obligation	(65,042)	430
Net OPEB obligation, beginning of fiscal year	920,540	855,498
Net OPEB obligation, end of fiscal year	855,498	855,928

As of June 30, 2012, the unfunded actuarial liability for stipends was \$1,394,652, and the value of assets was \$0. The covered payroll was \$12,525,661 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.1%.

There is no obligation on the part of the District to fund these benefits in advance. The District provides payments in accordance with current employee contracts on a pay-as-you-go basis. The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan. Instead, the activities of the plan are reported in the Early Retirement fund. The District does not issue a separate, audited GAAP-based postemployment benefit report for this plan.

In the July 1, 2011 valuation, the projected unit credit actuarial cost method was used to determine contribution levels for the early retirement stipends. Contribution levels are composed of two components: normal cost and amortization payments. Under this method, the expected of each participant at benefit commencement (reflecting future expected increases in salaries) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

Actuarial calculations of the OPEB plan reflect a long-term perspective and actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

The present value of benefits accrued as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded accrued liability. The unfunded accrued liability is being amortized as a level percentage of payroll, over an open period of 6 years. The assumptions included a discount rate of 3.5% and overall payroll growth of 3%. The demographic assumptions, such as mortality rates, turnover rates, disability rates, and retirement rates, are the same as those used by Oregon PERS for School Districts.

<u>OPEB Funding Status and Progress</u>	<u>Actuarial Year 2011</u>
Plan Assets	-
Actuarial Accrued Liability	1,394,652
Funded Ratio	0.0%
Covered Payroll	12,525,661
Ratio of Accrued Liability to Payroll	11.1%

**Post-employment Health Insurance Program**

The District sponsors a self-pay early retirement health insurance program for its retirees that provides post-employment health, dental, and vision insurance. The program allows eligible retirees and their dependents to purchase continuation of coverage under the District's health insurance plans from the date of retirement until age 65. The District requires participants to pay the monthly premiums by way of reimbursement to the District, or by deduction from an early retirement stipend, if eligible. In effect, the District incurs no cost for providing this benefit.

The District participates in the Oregon Educators Benefit Board, a statewide agent multiple-employer plan for health insurance benefits. Because the District's participation in this health plan constitutes a "community rating" exception, there is no implicit rate subsidy as described in GASB Statement No. 45.

The District's postemployment healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. As of June 30, 2013, there were 268 active and 48 retired members in the plan.

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**8. LONG-TERM OBLIGATIONS**

The District has the following long-term debt in the form of bonds issued at June 30, 2013:

Type	Issue Date	Interest Rates	Original Issue	Outstanding July 1, 2012	Issued	Matured And Redeemed	Outstanding June 30, 2013
Pension	Oct 2002	2.5 - 5.0%	10,328,944	8,645,600	-	185,456	8,460,144
Pension	Apr 2003	1.5 - 6.27%	13,351,863	10,951,369	-	354,364	10,597,005
QZAB	May 2005		792,544	445,806	-	49,534	396,272
QZAB	Apr 2007		1,000,000	710,000	-	60,000	650,000
General	Nov 2011	2%	1,510,000	1,510,000	-	1,420,000	90,000
Pension	Dec 2011	4.115%	720,000	720,000	-	-	720,000
Total Bonds Payable				<u>\$ 22,982,775</u>	<u>\$ -</u>	<u>\$ 2,069,354</u>	<u>\$ 20,913,421</u>

All long-term debt obligations of the District are payable from the General and Debt Service funds.

**General Obligation Bonds**

In October of 2002 the District issued general obligation refunding bonds. The proceeds of the new bonds were placed in an irrevocable trust to provide for future debt service payments on the 1994 bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's basic financial statements. In April 2007, the District defeased a portion of the 2014 maturity of the Series 2002 bonds. Proceeds were deposited into an escrow account to be held until maturity of the 2014 principal and interest. In November 2011, the District issued \$1,510,000 in general obligation refunding bonds to refinance the 2002 general obligation refunding bonds. On June 30, 2013, \$5,610,000 of bonds outstanding is considered defeased.

**Pension Obligation Bonds**

In October of 2002 and April of 2003, the District issued \$23,680,807 of limited tax pension obligation bonds to finance its unfunded actuarially accrued liability (UAL) with the State of Oregon Public Employees Retirement System (PERS). The issuance of the bonds was considered an advance refunding of the District's UAL and resulted in an estimated present value savings of approximately \$5.99 million over the life of the bonds. The actual savings realized by the District over the life of the bonds is uncertain because of the various legislative changes and legal issues pending with the PERS system which could impact the District's future required contribution rate. In August 2011, the District issued \$720,000 of limited tax pension refunding obligation bonds to refinance a portion of the Series 2002 pension obligation bonds. On June 30, 2013, \$685,000 of the Series 2002 pension obligation bonds is considered defeased.



**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**8. LONG-TERM OBLIGATIONS (CONTINUED)**

Future maturities of long term debt are as follows:

	<u>Principal on Bonds</u>	<u>Interest Due</u>	<u>Total</u>
Amounts Payable in fiscal year:			
2013 - 2014	\$ 754,530	\$ 1,280,684	\$ 2,035,214
2014 - 2015	670,007	1,362,603	\$ 2,032,610
2015 - 2016	683,419	1,458,386	\$ 2,141,806
2016 - 2017	686,316	1,554,619	\$ 2,240,935
2017 - 2018	687,226	1,657,838	\$ 2,345,064
2018 - 2023	5,066,923	8,389,194	\$ 13,456,118
2023 - 2028	12,365,000	2,030,180	\$ 14,395,180
	<u>\$ 20,913,421</u>	<u>\$ 17,733,503</u>	<u>\$ 38,646,924</u>

**9. OPERATING LEASES**

On August 22, 2005, the District entered into a five-year non-cancelable lease for the Prineville Education Center building. In 2010, the lease was renewed for an additional five-year term, at the end of which the district has an option to extend the lease term for one additional five-year term. Payments on this lease for the year ended June 30, 2013 totaled \$53,300.

Future minimum lease payments for this lease are as follows:

<u>Year</u>	<u>Monthly</u>	<u>Annual</u>
2013-2014	4,543	54,517
2014-2015	4,617	55,404
2015-2016	4,629	9,258
Total		<u>\$ 119,179</u>

**10. PROPERTY TAX LIMITATIONS**

The voters of the State of Oregon approved ballot Measure 5, a constitutional limit on property taxes for schools and non-school government operations, in November, 1990 (now Article XI, Section 11b). School operations include community colleges, local school districts and education service districts.

The limitation provides that property taxes for school operations are limited to \$5.00 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 initiative has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues for the major source of operating revenue. The voters of the State of Oregon passed ballot Measure 50 in May 1997 to further reduce property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit.

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**10. PROPERTY TAX LIMITATIONS (CONTINUED)**

Measure 50 reduced the amount of operating property tax revenues available to the District for its 1997-98 fiscal year, and thereafter. This reduction is accomplished by rolling assessed 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 Measure also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State of Oregon to minimize the impact of the tax cuts to school districts.

**11. RISK MANAGEMENT**

The District is exposed 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. The District purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

**12. PREPAID PERS LIABILITY**

As a result of the issuance of the 2002 and 2003 Limited Tax Pension Obligation Bonds, as described in Note 8, the District has reported a Prepaid PERS Liability in the Statement of Net Assets. The prepaid liability is equal to the initial payment made to PERS from the bond proceeds, less accumulated amortization, for a total at June 30, 2013 of \$13,801,010. Annual amortization is being calculated on a straight-line basis over the life of the pension obligation bonds.

**13. COMMITMENTS AND CONTINGENCIES**

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. Fluctuations in these projections and pupil counts may cause either increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on operations can not be determined.

**14. INTERFUND RECEIVABLE AND PAYABLE**

The composition of interfund receivables and payables as of June 30, 2013 is as follows:

Fund	Interfund Receivable From (Payable To)			
	General Fund	Special Funds	Debt Svc Funds	Total
General Fund	\$ -	\$ (912,167)	\$ (235,832)	\$ (1,147,999)
Special Funds	912,167	-	57,076	969,244
Debt Service Fund	235,832	(57,076)	-	178,756
Total	\$ 1,147,999	\$ (969,244)	\$ (178,756)	\$ -

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**15. FUND BALANCE CONSTRAINTS**

The specific purposes for each of the categories of fund balance as of June 30, 2013 are as follows:

<b>Fund Balances:</b>	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total</b>
<b><u>Non-spendable:</u></b>				
Inventory	-	52,539	-	52,539
	-	52,539	-	52,539
<b><u>Restricted:</u></b>				
Student Body Groups	-	107,840	-	107,840
Special Revenue Funds	-	529,816	-	529,816
Debt Payments	-	-	1,041,381	1,041,381
	-	637,655	1,041,381	1,679,036
<b><u>Committed to:</u></b>				
Textbook Reserve	-	224,652	-	224,652
PERS Reserve	-	750,000	-	750,000
Bus Reserve	-	69,728	-	69,728
Early Retirement Reserve	-	87,988	-	87,988
Maintenance Reserve	-	208,541	-	208,541
Auxiliary Services	-	152,223	-	152,223
Unemployment Reserve	-	75,000	-	75,000
Athletics	-	125,862	-	125,862
Insurance Reserve	-	60,000	-	60,000
Technology Reserve	-	44,322	-	44,322
Southwell Auditorium	-	78,760	-	78,760
Debt Payments	-	-	24,969	24,969
	-	1,877,076	24,969	1,902,046
<b><u>Assigned:</u></b>				
Extended Health Benefits	-	21,898	-	21,898
Special Projects - Schools	-	93,821	-	93,821
	-	115,719	-	115,719
<b><u>Unassigned:</u></b>				
	2,075,227	-	-	2,075,227
<b>Total Fund Balances</b>	<b>\$ 2,075,227</b>	<b>\$ 2,682,990</b>	<b>\$ 1,066,350</b>	<b>\$ 5,824,566</b>

**16. TRANSFERS**

Transfers are made to support operations between funds. Interfund transfers for the year ended June 30, 2013 are as follows:

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>
General Fund	\$ -	\$ 3,135,212
Special Funds	1,345,100	7,100
Debt Service Fund	1,797,212	-
<b>Total</b>	<b>\$ 3,142,312</b>	<b>\$ 3,142,312</b>

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**17. SUBSEQUENT EVENTS**

In May of 2013, voters authorized the District to sell up to \$33,500,000 in general obligation bonds. In August of 2013 the District issued \$32,795,000 in general obligation bonds with maturities up to the year 2038. The bonds have interest rates ranging from 1.875% to 5.0%.

**18. RESTATEMENT**

Beginning Net Position was restated due to the early adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, which states that debt issuance costs should be recognized as an expense in the period incurred. Ending Net Position was reported at June 30, 2012 as \$13,395,273 in the financial statements dated June 30, 2012. Beginning Net Position was reduced by the amount of the Bond Issuance Costs of \$228,544 shown as an asset on the June 30, 2012 financial statements as is now reported as \$13,166,729.

**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Individual Major Fund Financial Statements**

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**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

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

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Revenue From Local Sources:				
Taxes - Current Year's Levy	\$ 6,214,301	\$ 6,214,301	\$ 6,706,857	\$ 492,556
Taxes - Prior Year's Levy	511,000	511,000	481,771	(29,229)
Taxes In Lieu of Property Taxes	64,500	64,500	93,382	28,882
Interest Earned	40,000	40,000	39,435	(565)
Rentals	10,000	10,000	7,326	(2,674)
Services Provided to Other Districts	13,000	13,000	15,935	2,935
Fees Charged to Grants	60,000	60,000	23,794	(36,206)
Medicaid	104,000	154,000	143,991	(10,009)
PERS UAL Assessment	1,730,000	1,730,000	1,732,250	2,250
Recover Prior Year's Expense	1,000	1,000	-	(1,000)
Other Local Sources	67,000	67,000	124,384	57,384
<b>Total Local Revenue</b>	<b>8,814,801</b>	<b>8,864,801</b>	<b>9,369,125</b>	<b>504,324</b>
Revenue From State Sources:				
State School Fund - General	13,902,000	15,241,998	14,134,539	(1,107,459)
Common School Fund	248,000	248,000	257,282	9,282
State School Fund - Transportation	903,000	903,000	936,296	33,296
State Restricted Revenues	-	-	-	-
Other State Sources	15,000	15,000	-	(15,000)
<b>Total State Revenue</b>	<b>15,068,000</b>	<b>16,407,998</b>	<b>15,328,116</b>	<b>(1,079,882)</b>
Revenue From Federal Sources:				
Federal Restricted Revenue	-	-	-	-
Federal Forest Fees	-	-	401,953	401,953
Other Federal Sources	87,000	87,000	88,563	1,563
<b>Total Federal Revenue</b>	<b>87,000</b>	<b>87,000</b>	<b>490,516</b>	<b>403,516</b>
<b>Total Revenue</b>	<b>\$ 23,969,801</b>	<b>\$ 25,359,799</b>	<b>\$ 25,187,757</b>	<b>\$ (172,042)</b>

Continued on pages 31 and 32

**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

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

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	SALARIES
<b>EXPENDITURES:</b>			
Instruction:			
Regular Programs:			
Primary Programs, Grades K-5 (1111)	\$ 4,348,900	\$ 4,348,900	\$ 2,590,621
Middle Programs, Grades 6-8 (1121)	2,489,900	2,489,900	1,491,942
Middle School Extra-curricular Programs, Grades 6-8 (1122)	17,447	17,447	16,806
High School Programs, Grades 9-12 (1131)	2,561,160	2,561,160	1,488,195
High School Extra-curricular Programs, Grades 9-12 (1132)	198,311	198,311	108,494
NJROTC (1133)	290,954	290,954	175,462
Special Programs:		-	
Programs for Students with Mental Disabilities-1220	855,548	855,548	528,536
Resource Rooms-1250	1,569,365	1,569,365	829,076
Title 1 - 1270	4,696	4,696	5,577
Alternative Education-1280	1,577,074	3,217,072	154,796
Designated Programs-1290	458,952	458,952	309,645
Summer School Programs-1400	8,378	8,378	1,481
	14,380,684	16,020,682	(1) 7,700,632
Support Services:			
Student Safety - 2110	500	500	-
Guidance Services-2120	320,505	320,505	222,759
Health Services-2130	166,681	216,681	42,795
Psychological Services-2140	27,540	27,540	2,703
Speech Pathology & Audiology-2150	439,039	439,039	272,635
Service Direction, Student Support Services-2190	118,856	118,856	60,437
Staff, Media and Assessment-2200	714,343	714,343	344,508
General Administration-2300	308,701	308,701	164,450
School Administration-2400	1,648,027	1,648,027	1,060,554
Business Services Direction-2510	215,347	215,347	111,305
Fiscal Services-2520	446,321	446,321	268,029
Operation & Maintenance-2540	2,754,744	2,754,744	930,400
Student Transportation-2550	1,437,493	1,437,493	630,539
Internal Services-2570	147,344	147,344	31,454
Central Services-2600	519,561	519,561	258,123
	9,265,001	9,315,001	(1) 4,400,690

(1) Appropriation Level  
Continued from page 30  
Continued on page 32



<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES &amp; MATERIALS</u>	<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>	<u>TOTAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
1,421,888	132,064	72,730	-	-	\$ 4,217,304	\$
803,114	92,597	20,011	-	204	2,407,869	
5,351	3,260	-	-	-	25,417	
797,975	85,155	47,094	-	-	2,418,420	
44,092	19,193	-	-	-	171,779	
82,009	8,356	1,027	-	-	266,854	
346,799	28,327	2,703	-	-	906,366	
593,441	56,298	13,825	-	-	1,492,640	
712	5,245	232	-	-	11,766	
90,832	3,394,165	11,999	-	-	3,651,792	
141,412	11,178	2,256	-	-	464,491	
283	-	-	-	-	1,765	
<u>4,327,909</u>	<u>3,835,840</u>	<u>171,878</u>	<u>-</u>	<u>204</u>	<u>16,036,463</u>	<u>(15,781)</u>
-	-	472	-	-	472	
110,041	7,742	2,442	-	-	342,985	
23,746	144,229	632	-	-	211,402	
655	1,332	1,362	-	-	6,052	
150,445	14,856	1,225	-	225	439,385	
31,144	1,426	12,595	-	595	106,198	
237,612	22,167	26,450	-	620	631,357	
68,176	31,773	4,052	-	9,058	277,509	
599,619	2,754	16,932	-	5,409	1,685,269	
43,217	42,221	32,054	-	2,929	231,726	
98,522	349	1,833	-	140	368,873	
559,863	681,271	147,198	13,728	117,277	2,449,737	
354,110	36,072	113,516	-	23,219	1,157,456	
20,119	69,716	19,803	-	-	141,092	
145,451	37,938	42,663	-	1,616	485,792	
<u>2,442,722</u>	<u>1,093,847</u>	<u>423,229</u>	<u>13,728</u>	<u>161,088</u>	<u>8,535,303</u>	<u>779,697</u>

**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET  
For the Year Ended June 30, 2012**

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	SALARIES
EXPENDITURES (continued):			
Debt Service	\$ 500	\$ 500	(1) \$ -
Operating Contingency	800,000	500,000	(1) -
Total Expenditures	24,446,185	25,836,183	\$ 12,101,322
Excess of Revenues Over, (Under)			
Expenditures	(476,384)	(476,384)	
Other Financing Sources, (Uses):			
Transfers In	-	-	
Transfers Out	(3,139,004)	(3,139,004)	(1)
Total Other Financing Sources, (Uses)	(3,139,004)	(3,139,004)	
Net Change in Fund Balance	(3,615,388)	(3,615,388)	
Beginning Fund Balance	4,507,000	4,507,000	
Ending Fund Balance	\$ 891,612	\$ 891,612	

(1) Appropriation Level

<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES &amp; MATERIALS</u>	<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>	<u>TOTAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500
-	-	-	-	-	-	500,000
<u>\$ 6,770,631</u>	<u>\$ 4,929,687</u>	<u>\$ 595,107</u>	<u>\$ 13,728</u>	<u>\$ 161,292</u>	<u>24,571,766</u>	<u>1,264,417</u>
					615,991	1,092,375
					-	-
					<u>(3,135,212)</u>	<u>3,792</u>
					<u>(3,135,212)</u>	<u>3,792</u>
					(2,519,221)	1,096,167
					<u>4,594,448</u>	<u>87,448</u>
					<u>\$ 2,075,227</u>	<u>\$ 1,183,615</u>

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

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

	<u>SPECIAL REVENUE FUNDS</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES:</b>				
Local Sources:				
Medicaid Revenue	\$ -	\$ -	\$ -	\$ -
Earnings on Investments	-	-	4	4
Food Sales	245,200	245,200	38,819	(206,381)
Miscellaneous	1,454,409	1,454,409	1,674,683	220,274
State Sources:				
Restricted Grants-In-Aid	247,900	247,900	315,045	67,145
Federal Sources:				
Restricted Grants-In-Aid	3,085,423	3,085,423	2,773,695	(311,728)
Total Revenues	<u>5,032,932</u>	<u>5,032,932</u>	<u>4,802,246</u>	<u>(24,308)</u>
<b>EXPENDITURES:</b>				
Instruction:				
Salaries	803,050	803,050	862,066	(59,016)
Employee Benefits	453,639	453,639	446,431	7,207
Purchased Services	145,623	145,623	204,303	(58,680)
Supplies and Materials	294,909	294,909	589,214	(294,305)
Capital Outlay	86,700	86,700	84,296	2,404
Other Objects	37,130	37,130	34,278	2,852
Other Uses	468,700	558,700	-	558,700
Total Instruction	<u>2,289,751</u>	<u>2,379,751 (1)</u>	<u>2,220,589</u>	<u>159,162</u>
Support Services:				
Salaries	945,555	945,555	813,187	132,369
Employee Benefits	899,338	899,338	753,836	145,503
Purchased Services	451,675	451,675	214,011	237,664
Supplies and Materials	33,239	33,239	58,203	(24,964)
Capital Outlay	368,000	368,000	323,813	44,187
Other Objects	24,535	24,535	24,748	(213)
Other Uses	297,003	297,003	-	297,003
Total Support Services	<u>3,019,346</u>	<u>3,019,346 (1)</u>	<u>2,187,797</u>	<u>831,549</u>
Enterprise and Community Services	<u>1,346,525</u>	<u>1,346,525 (1)</u>	<u>1,159,362</u>	<u>187,163</u>
Facilities Acquisition & Construction	<u>42,000</u>	<u>42,000 (1)</u>	<u>-</u>	<u>42,000</u>

(1) Appropriation Level

Continued on page 34

**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For The Year Ended June 30, 2012**

<u>SPECIAL REVENUE FUNDS</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Contingency	1,428,310	1,513,731 (1)	-	1,513,731
Total Expenditures	<u>8,125,931</u>	<u>8,301,352</u>	<u>5,567,748</u>	<u>2,733,605</u>
Excess of Revenues Over, (Under) Expenditures	(3,092,999)	(3,268,420)	(765,501)	2,502,919
Other Financing Sources, (Uses):				
Transfers In	1,339,200	1,346,300	1,345,100	(1,200)
Transfers Out	<u>(175,421)</u>	<u>(7,100) (1)</u>	<u>(7,100)</u>	<u>-</u>
Total Other Financing Sources, (Uses)	1,163,779	1,339,200	1,338,000	(1,200)
Net Change in Fund Balance	(1,929,220)	(1,929,220)	572,499	2,501,719
Beginning Fund Balance	<u>2,009,221</u>	<u>2,009,221</u>	<u>2,110,491</u>	<u>101,270</u>
Ending Fund Balance	<u>\$ 80,001</u>	<u>\$ 80,001</u>	<u>\$ 2,682,990</u>	<u>\$ 2,602,989</u>

(1) Appropriation Level

Continued from page 33

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**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

**SUPPLEMENTARY INFORMATION**

**Combining and Individual Fund Financial Statements**

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**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

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

<u>DEBT SERVICE FUNDS</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES:</b>				
From Local Sources:				
Taxes	\$ 1,550,000	\$ 1,550,000	\$ 1,495,846	\$ (54,154)
Earnings on Investments	6,100	6,100	8,712	2,612
From State Sources	40,000	40,000	49,534	9,534
Other Sources:				
Proceeds of Refunding Bonds	-	-	-	-
Total Revenues	<u>1,596,100</u>	<u>1,596,100</u>	<u>1,554,091</u>	<u>(42,009)</u>
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	2,099,034	2,099,034	2,069,354	29,680
Interest	1,206,900	1,206,900	1,236,271	(29,371)
Total Debt Service	<u>3,305,934</u>	<u>3,305,934 (1)</u>	<u>3,305,625</u>	<u>309</u>
Other Objects		-	-	-
Contingency		(200,000)	-	(200,000)
Total Expenditures	<u>3,305,934</u>	<u>3,105,934</u>	<u>3,305,625</u>	<u>(199,691)</u>
Excess of Revenues Over, (Under) Expenditures	(1,709,834)	(1,509,834)	(1,751,534)	157,682
Other Financing Sources, (Uses):				
Transfers In	1,999,804	1,799,804	1,797,212	(2,592)
Transfers Out		-	-	-
Total Other Financing Sources, (Uses)	<u>1,999,804</u>	<u>1,799,804</u>	<u>1,797,212</u>	<u>(2,592)</u>
Net Change in Fund Balance	289,970	289,970	45,678	155,090
Beginning Fund Balance	<u>469,096</u>	<u>469,096</u>	<u>1,020,672</u>	<u>551,576</u>
Ending Fund Balance	<u>\$ 759,066</u>	<u>\$ 759,066</u>	<u>\$ 1,066,350</u>	<u>\$ 307,284</u>

(1) Appropriation Level

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

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

<u>GENERAL FUND</u>						
TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2012	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED June 30, 2013
Current:						
2012-2013	\$ 6,867,995	\$ 162,002	\$ (157)	\$ 5,704	\$ 6,413,478	\$ 298,062
Prior Years:						
2011-2012	\$ 486,785	\$ 44	\$ 810	\$ 23,403	\$ 327,432	\$ 183,523
2010-2011	242,542		1,008	22,704	128,851	137,404
2009-2010	164,745		1,003	30,485	117,669	78,565
2008-2009	71,806		975	17,230	59,609	30,402
2007-2008 & Prior	37,656		1,562	3,341	8,729	33,831
Total Prior	<u>1,003,535</u>	<u>44</u>	<u>5,359</u>	<u>97,163</u>	<u>642,289</u>	<u>463,724</u>
Total	<u>\$ 7,871,530</u>	<u>\$ 162,045</u>	<u>\$ 5,202</u>	<u>\$ 102,866</u>	<u>\$ 7,055,767</u>	<u>\$ 761,786</u>

RECONCILIATION TO REVENUE

Cash Collections by County Treasurers Above	\$ 7,055,767
Accrual of Receivables:	
June 30, 2012	(66,184)
June 30, 2013	117,175
Other County Property Taxes	81,870
Taxes in Lieu of Property Taxes	<u>93,382</u>
Total Revenue	<u>\$ 7,282,011</u>

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

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

DEBT SERVICE FUND

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2012	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED June 30, 2013
Current:						
2012-2013	\$ 1,414,491	\$ 33,365	\$ (32)	\$ 1,175	\$ 1,320,881	\$ 61,387
Prior Years:						
2011-2012	\$ 111,795	\$ 10	\$ 186	\$ 5,375	\$ 75,198	\$ 42,148
2010-2011	52,216		217	4,888	27,740	29,581
2009-2010	38,284		233	7,084	27,344	18,257
2008-2009	19,821		269	4,758	16,459	8,389
2007-2008 & Prior	4,434		289	522	1,440	3,805
Total Prior	226,550	10	1,194	22,627	148,181	102,180
Total	<u>\$ 1,641,041</u>	<u>\$ 33,375</u>	<u>\$ 1,162</u>	<u>\$ 23,801</u>	<u>\$ 1,469,062</u>	<u>\$ 163,567</u>

RECONCILIATION TO REVENUE

Cash Collections by County Treasurers Above	\$ 1,469,062
Accrual of Receivables:	
June 30, 2012	(15,362)
June 30, 2013	25,200
Other County Property Taxes	16,942
Taxes in Lieu of Property Taxes	3
Total Revenue	<u>\$ 1,495,845</u>

**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

**PROPERTY TAX LEVIES AND COLLECTIONS  
For the Last Ten Fiscal Years**

<b>Crook County</b>		<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year (1)</b>	<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2012-2013	8,282,485	7,734,359	93.38 %	-	7,734,359	93.38 %
2011-2012	8,550,273	7,762,615	90.79	402,630	8,165,245	95.50
2010-2011	9,232,243	8,254,158	89.41	543,240	8,797,398	95.29
2009-2010	9,703,173	8,847,202	91.18	578,699	9,425,901	97.14
2008-2009	9,743,197	8,902,535	91.37	853,743	9,756,278	100.13
2007-2008	8,473,899	7,780,565	91.82	423,652	8,204,217	96.82
2006-2007	7,801,204	7,276,839	93.28	308,290	7,585,129	97.23
2005-2006	6,752,723	6,272,938	92.89	228,162	6,501,100	96.27
2004-2005	6,328,235	5,894,512	93.15	267,683	6,162,195	97.38
2003-2004	6,706,307	6,137,687	91.52	384,661	6,522,348	97.26

<b>Deschutes County</b>		<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
<b>Fiscal Year (1)</b>	<b>Taxes Levied for the Fiscal Year (2)</b>	<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2012-2013	99,256	93,814	94.52 %	-	93,814	94.52 %
2011-2012	98,105	92,146	93.93	2,044	94,190	96.01
2010-2011	111,136	103,552	93.18	4,065	107,617	96.83
2009-2010	99,700	92,272	92.55	5,271	97,543	97.84
2008-2009	102,497	93,985	91.70	6,736	100,721	98.27
2007-2008	89,419	83,289	93.14	4,308	87,597	97.96
2006-2007	83,847	79,246	94.51	2,627	81,873	97.65
2005-2006	-	-	-	-	-	-
2004-2005	-	-	-	-	-	-
2003-2004	-	-	-	-	-	-

(1) Deschutes County transferred ownership of a small school district located in the community of Brothers, Oregon (population 35) to Crook County School District on March 24, 2006.

(2) Amounts are based upon the tax collection year July 1 to June 30.

**Source:** Crook County Tax Collector, Deschutes County Tax Collector, and Crook County School District financial records.

**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

**SUPPLEMENTAL PROPERTY TAX INFORMATION  
Crook County**

<b>ASSESSED VALUE AND REAL MARKET VALUE OF TAXABLE PROPERTY</b>
---

<b>Fiscal Year</b>	<b>Real Market Values</b>	<b>Taxable Assessed Values</b>	<b>Total Taxes Imposed</b>	<b>AV as a Percentage of RMV</b>
2012-2013	1,701,580,450	1,527,069,365	8,226,839	89.7%
2011-2012	2,346,210,570	1,541,855,903	8,529,373	65.7%
2010-2011	2,085,498,641	1,638,536,654	9,153,523	78.6%
2009-2010	3,453,643,000	1,657,103,487	1,827,303	48.0%
2008-2009	3,251,496,000	1,603,260,454	7,635,050	49.3%
2007-2008	3,949,315,642	1,494,834,476	8,413,843	37.9%
2006-2007	2,660,644,993	1,370,903,909	7,801,202	51.5%
2005-2006	1,706,494,462	1,198,919,742	6,648,489	70.3%
2004-2005	1,459,141,300	1,123,687,480	6,277,758	77.0%
2003-2004	1,322,279,070	1,049,950,580	4,927,524	79.4%

<b>PRINCIPAL PROPERTY TAXPAYERS</b>
-------------------------------------

	<b>Taxable Assessed Values</b>	<b>Total Taxes Imposed</b>	<b>Percentage of Total Taxes</b>
Property & Revenue Tax Manager	23,842,000	302,869	3.7%
Brasada Ranch Development LLC	23,894,048	286,478	3.5%
Les Schwab Warehouse Center Inc	17,119,270	272,056	3.3%
Clear Pine Moulding Inc	10,426,900	156,908	1.9%
Les Schwab Tire Center #11	9,146,077	145,649	1.8%
O'Ryan Ranches LLC	2,937,227	102,239	1.2%
Ochoco Lumber Co	3,205,879	87,502	1.1%
CenturyLink	6,763,600	85,918	1.0%
WG Prineville LLC	5,087,337	81,036	1.0%
Gas Transmission NW Corp	7,815,420	77,771	0.9%
	<u>110,237,758</u>	<u>1,598,426</u>	<u>19.4%</u>

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**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

**INDEPENDENT AUDITORS' REPORT REQUIRED BY  
OREGON STATE REGULATIONS**

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### **Independent Auditors' Report Required by Oregon State Regulations**

We have audited the basic financial statements of the Crook County School District as of and for the year ended June 30, 2013, and have issued our report thereon dated October 31, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

#### **Compliance**

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

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

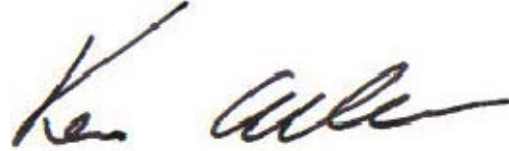
- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized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

In connection with our testing nothing came to our attention that caused us to believe the Crook County 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 Corporation.

**OAR 162-10-0230 Internal Control**

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

This report is intended solely for the information and use of the Board of Directors, management 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". The signature is written in a cursive style with a large initial "K" and a long horizontal stroke at the end.

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

**CROOK COUNTY SCHOOL DISTRICT**  
**CROOK COUNTY, OREGON**

**GRANT COMPLIANCE REVIEW**

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**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

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

	CFDA NUMBER	GRANT PERIOD	EXPENDITURES
<b>US DEPARTMENT OF EDUCATION</b>			
Passed through State Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	2011-2014	\$ 912,466 (1)
			<u>912,466</u>
Special Education Cluster			
Special Education Grants to States	84.027	2011-2014	527,818
			<u>527,818</u>
Special Education PreSchool Grants	84.173	2011-2014	4,930
Rural Education	84.358	2011-2014	47,234
Special Education - State Personnel Development	84.323	2011-2014	6,784
English Language Acquisition State Grants	84.365	2011-2014	12,750
Improving Teacher Quality State Grants	84.367	2011-2014	182,167
Teacher Incentive Fund	84.374	2012-2015	177,186
			<u>177,186</u>
TOTAL US DEPARTMENT OF EDUCATION			<u>1,871,335</u>
<b>US DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
National School Lunch Program Cluster			
National School Lunch Program - Commodities	10.555	2012-2013	40,132
School Breakfast Program	10.553	2012-2013	196,986
National School Lunch Program	10.555	2012-2013	629,373
			<u>866,491</u>
Fresh Fruits and Vegetable Program	10.582	2012-2013	13,064
Natural Resources Grant	n/a	2011-2016	4,420
			<u>4,420</u>
Schools and Roads - Grants to States	10.665	2012-2013	401,953
			<u>401,953</u>
TOTAL US DEPARTMENT OF AGRICULTURE			<u>1,285,928</u>
<b>US DEPARTMENT OF DEFENSE</b>			
JROTC	12.000	2010-2013	106,948
			<u>106,948</u>
TOTAL FEDERAL FINANCIAL EXPENDITURES			<u>\$ 3,264,211</u>

(1) Major Program

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October 31, 2013

To the Board of Directors  
Crook County School District

**INDEPENDENT AUDITOR'S 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Crook County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated October 31, 2013.

**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.

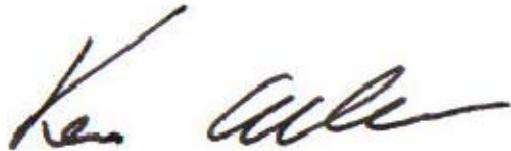
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

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

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





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October 31, 2013

To the Board of Directors  
Crook County School District

**INDEPENDENT AUDITOR'S 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 Crook County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2013. The major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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, Crook County 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, 2013.

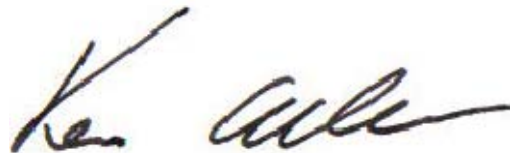
## Report on Internal Control Over Compliance

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  
PAULY, ROGERS AND CO., P.

CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON

SCHEDULE FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013

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**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**

**CFDA**  
**NUMBER**

**NAME OF FEDERAL PROGRAM CLUSTER**

84.010

Title I Part A Cluster

CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON

SCHEDULE FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013

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

Auditee qualified as low-risk auditee?  yes  no

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL EXPENDITURES**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal expenditures includes federal grant activity 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.