

COQUILLE SCHOOL DISTRICT NO. 8
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**COQUILLE SCHOOL DISTRICT NO. 8
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012**

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DISTRICT OFFICIALS

COQUILLE SCHOOL DISTRICT NO. 8
DISTRICT OFFICIALS
June 30, 2012

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

December 28, 2012

To the Board of Directors of Coquille School District No. 8:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Coquille School District No. 8, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Coquille School District No. 8's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

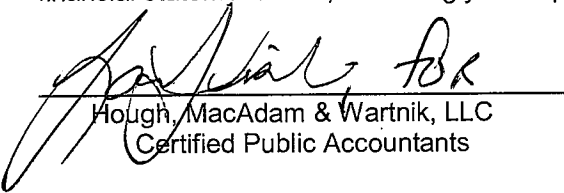
The District has chosen to not adopt Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*, which is required by accounting principles generally accepted in the United States of America. Because the District did not determine the amount of their liability under GASB Statement No. 45, the effect on the statement of net assets and the statement of activities cannot be determined.

In our opinion, except for the effects of not implementing GASB Statement No. 45, as discussed in the preceding paragraph, 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 Coquille School District No. 8 as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information for the General Fund and Special Grant Fund 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 GASB, 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 applied certain limited procedures to the management's discussion and analysis 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012, on our consideration of Coquille School District No. 8's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coquille School District No. 8's basic financial statements. The supplemental 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 accompanying Schedule of Expenditures of Federal Awards and the Oregon Department of Education Supplemental Information are also presented for purposes of additional analysis and are also not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization.*, The Oregon Department of Education Supplemental Information is required by the Oregon Department of Education. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information and Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The Oregon Department of Education information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion or provide any assurance on them.



Hough, MacAdam & Wartnik, LLC
Certified Public Accountants

**COQUILLE SCHOOL DISTRICT 8
COOS COUNTY,
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Year Ended June 30, 2012**

This section of Coquille School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. The intent of the Management Discussion and Analysis (MD&A) is to look at the school district's financial performance as a whole. With this in mind, please also refer to the District's financial statements, which immediately follow this section.

Financial Variances from the Prior Year

There were some significant variances in revenues, expenditures and changes in fund balance from the prior year. The General Fund, as discussed in more detail later, had revenues of approximately \$7,186,000 (excluding the beginning fund balance), an increase of approximately \$196,000 from the prior year; however \$123,415 of these revenues are artificial due to the required accounting procedures of booking into revenue capitalization (bus purchase and two copiers), leaving an increase of approximately \$72,600. This fluctuation was made up of a number of items: Tax revenues increased by approximately \$30,000; the State School Fund increased by approximately \$454,700. These increases were offset by decreases of Reimbursable Income, Fees & contract fees of approximately \$442,100 (this included the loss of the JDEP contract of \$280,845 and the loss of the Federal ARRA dollars of \$132,665) and other miscellaneous revenues of approximately \$42,600. General Fund expenses were approximately \$7,515,000, an increase of about \$675,000 from the prior year. The majority of this increase was due to an inflationary increase in the cost of personnel, unfunded liabilities, health benefits and PERS increases causing an overall reduction in fund balance of approximately \$329,000.

Special Grant Fund revenues were up approximately \$310,000 overall from the prior year. Expenditures were also up approximately \$276,000. The overall net changes to these funds are due primarily to fluctuations in Student Body, Food Service and miscellaneous donations. There was a positive net change in the fund balance of \$3,036.

The Capital Projects Fund has increased from \$43,223 to \$902,973. This change is due to the obtaining of 0% interest Quality Zone Academy Bond to fund the replacement of the Coquille Valley School Roof and miscellaneous other maintenance projects.

Statement of Net Assets and the Statement of Activities

While this document contains financial statements for each of the individual funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year ending June 30, 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include economic conditions, mandated educational programs, enrollment levels, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where all of the School District's programs and services are reported including instruction, support services and community services. The School District does not have any business like activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses several funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Special Grant Fund, and the Capital Projects Fund.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a comparative summary of the School District's net assets for the years ending June 30, 2011 and 2012.

Table 1
Net Assets

| | <u>6/30/2011</u> | <u>6/30/2012</u> |
|---|---------------------|---------------------|
| Assets: | | |
| Current and other assets | \$ 2,165,033 | \$ 2,760,545 |
| Capital assets | <u>4,694,834</u> | <u>4,827,967</u> |
| Total assets | <u>6,859,867</u> | <u>7,588,512</u> |
| Liabilities: | | |
| Current liabilities | 865,775 | 1,033,966 |
| Long-term liabilities | <u>2,363,153</u> | <u>3,244,036</u> |
| Total liabilities | <u>3,228,928</u> | <u>4,278,002</u> |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 2,147,128 | 1,287,387 |
| Restricted | 265,656 | 291,234 |
| Restricted - unexpandable | 36,052 | 36,052 |
| Unrestricted | <u>1,182,103</u> | <u>1,695,837</u> |
| Total net assets | <u>\$ 3,630,939</u> | <u>\$ 3,310,510</u> |

Table 2 shows the changes in net assets for the year ending June 30, 2011 and 2012.

Table 2
Changes in Net Assets

| | <u>2011</u> | <u>2012</u> |
|---|---------------------|---------------------|
| REVENUES: | | |
| Program revenues: | | |
| Charges for services and contracts | \$ 699,860 | \$ 636,164 |
| Operating grants and contributions | 1,359,722 | 1,336,073 |
| Capital grants and contributions | 10,053 | - |
| General revenue: | | |
| Property taxes | 1,986,435 | 2,037,427 |
| Federal, State & local sources | 4,781,741 | 5,221,144 |
| Earnings on investments | 10,022 | 19,837 |
| Gain (loss) on disposal of capital assets | - | - |
| Total Revenues | <u>8,847,833</u> | <u>9,250,645</u> |
| EXPENSES: | | |
| Instruction | 4,317,531 | 4,744,844 |
| Support services | 3,342,902 | 3,697,906 |
| Community services | 740,505 | 769,110 |
| Capital acquisition and construction | - | - |
| Interest on long-term debt | 109,760 | 103,605 |
| Unallocated amortization | 17,108 | 81,485 |
| Unallocated depreciation | 166,213 | 174,124 |
| Total Expenses | <u>8,694,019</u> | <u>9,571,074</u> |
| Increase (decrease) in net assets | 153,814 | (320,429) |
| Net assets - beginning | <u>3,477,125</u> | <u>3,630,939</u> |
| Net assets - ending | <u>\$ 3,630,939</u> | <u>\$ 3,310,510</u> |

The Statement of Activities shows the cost of program services and the revenues received for charges for services and grants that offset those services for the year ending June 30, 2012.

Instruction expense includes students and instructional staff expenses directly dealing with the teaching of students and the interaction between teacher and student, and the activities involved with assisting staff with the content and process of teaching to students.

Supporting services includes general, school, and business administration expenses associated with administration of the District as a whole, the administration of the schools individually, and with the fiscal and financial supervision of the district. This also includes activities associated with upgrading and replacing technological equipment and operation and maintenance of the school grounds, buildings, and equipment.

Capital acquisition and construction includes construction and major renovation of building and equipment.

Community services include expenses related to food service costs and scholarship awards.

Interest is associated with the payment of debt principal and capital leases.

The School District's Funds

Information about the School District's major funds revenues and expenditures is on page 13. These funds are accounted for using the modified accrual basis of accounting. Excluding debt refinancing and sales of capital assets, the General Fund had total revenues of \$7,062,975 and expenditures of \$7,420,437. After transfers, debt service, and sale of assets, the net change in fund balance for the year in the General Fund was a decrease of \$329,047.

The change in fund balance for Special Grant Fund was an increase of approximately \$3,036, which was due primarily to changes in student body accounts.

The Capital Projects Fund had carryover revenues of \$902,973.

General Fund Budgeting Highlights

The School District's budget is prepared according to Oregon law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The adopted budget for the General Fund was \$7,952,500, of which \$745,000 was beginning fund balance. The actual beginning fund balance was \$740,000.

Capital Assets

At the end of the fiscal year 2012, the School District had a net investment of \$4,827,967 in land, land improvements, buildings, equipment, and vehicles. There were no major decreases to the net assets during the year.

Debt Administration and Outstanding Debt

The School District has several outstanding debt obligations. One is a general obligation bond issue, which was approved by the voters in 2001. These bonds are required to be paid within no more than 20 years from the date of issue and are backed by the full faith and credit of the District. The proceeds from the bond were used to expand and improve the District's facilities, which the District has completed. On October 6, 2005, a portion of the bonds maturing June 15 in the years 2006 through 2021 were refinanced (2005 Advanced Refunding of 2001 GO Bonds). The remaining bond now matures in 2021 with a 12/13 payment due of \$303,450. The district also has an outstanding QZAB loan. This is an interest "free to the district" loan (the interest is subsidized by the federal government) that will be repaid over the course of 19 years. The loan matures in 2030 with an annual payment due of \$56,944.44. The district made a bus purchase this year in the amount of \$104,478 that has a 5 year payback. This lease has a maturity date of 2016, with an annual payment of \$22,844. Finally, the district purchased a piece of property in the 11/12 year that gave them access to the high school football practice field that was basically landlocked. The purchase price was \$88,842 and has a maturity date of 2016 with an annual payment of \$19,476. The total of the outstanding long term debt (principal) at the end of the 11/12 year was \$3,674,455.

On June 30, 2012 the balance owing on all long-term debt was approximately \$3.7. The School District's overall legal debt margin is approximately \$28 million, so they are well within the prescribed boundaries.

Current Financial Issues and Concerns

At the end of fiscal year 2011-2012, the General Fund had a balance of approximately \$410,838, a decrease over the previous year of around \$329,047.

The student population of Coquille School District is on a slight increase. This is due in part to the creation of the Winter Lakes Alternative High School (WLHS). This high school allows the district to recover some of those "at risk" students that are not going to school for varied reasons as well as offering services to our local home schooled students. In addition, WLHS takes students from other districts with a tuition agreement that is beneficial to both the resident district and the attending district. On the less positive side, payroll and payroll costs, maintenance and special education costs continue to rise, as does the cost of general education. District is ever challenged to find innovative ways to maximize the use of available resources.

One of the most recent ways Coquille School District is using to maximize its assets is by forming partnerships with other school districts. These partnerships are such that the end result is a savings in real dollars for each district involved. For example, neither Coquille School District nor Myrtle Point School District could afford their own School Psychologist; however, by forming a partnership with Myrtle Point School District, each district was able to purchase a piece of the Psychologist adding value and savings to both districts. At this time, Coquille has numerous partnerships with various districts that are resulting in significant savings.

In conclusion, the Coquille School District No. 8 continues to be dedicated to academic excellence and financial responsibility. The School District's system of curricular programs, policies, financial planning, budgeting, and internal financial controls are in constant review and development. The School District will maintain sound fiscal management and encourage staff at all levels to seek ways to stretch our resources while providing daily opportunities for students to grow personally as well as academically.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Teri Pointer, Business Manager, Coquille School District No. 8, 1366 N. Gould St, Coquille, OR 97423.

BASIC FINANCIAL STATEMENTS

COQUILLE SCHOOL DISTRICT NO. 8
STATEMENT OF NET ASSETS
June 30, 2012

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,878,696 |
| Receivables: | |
| Intergovernmental | 353,682 |
| Property taxes | 277,468 |
| Prepaid expenses | 37,989 |
| Restricted assets - cash and cash equivalents | |
| Permanently restricted - permanent trust | 36,052 |
| Loan receivable | 176,658 |
| Capital assets: | |
| Land | 162,580 |
| Depreciable assets net of depreciation | 4,665,387 |
| Total assets | 7,588,512 |
| LIABILITIES | |
| Accounts payable | 28,385 |
| Accrued payroll and benefits | 512,889 |
| Intergovernmental payable | 151,680 |
| Accrued interest payable | 6,171 |
| Compensated absences payable | 38,297 |
| Capital leases | |
| Amount due within one year | 26,866 |
| Amount due after one year | 71,878 |
| Long-term debt | |
| Amount due within one year | 269,678 |
| Amount due after one year | 3,172,158 |
| Total liabilities | 4,278,002 |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 1,287,387 |
| Restricted for: | |
| Debt service | 91,454 |
| Specific educational purposes | 199,780 |
| Other: | |
| Permanent trust - nonspendable | 36,052 |
| Unrestricted | 1,695,837 |
| Total net assets | \$ 3,310,510 |

The notes to the basic financial statements are an integral part of this statement.

COQUILLE SCHOOL DISTRICT NO. 8
Statement of Activities
For the Fiscal Year Ended June 30, 2012

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) |
|--------------------------------------|---------------------|--|--|--|---|
| | | Charges for Services & Contracts | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Assets |
| | | | | | Governmental Activities |
| Governmental activities: | | | | | |
| Instruction | \$ 4,744,844 | \$ 235,974 | \$ 542,168 | \$ - | \$ (3,966,702) |
| Supporting services | 3,697,906 | 100,885 | 327,275 | - | (3,269,746) |
| Community services | 769,110 | 299,305 | 466,630 | - | (3,175) |
| Interest on long-term debt* | 103,605 | - | - | - | (103,605) |
| Unallocated amortization* | 81,485 | - | - | - | (81,485) |
| Unallocated depreciation* | 174,124 | - | - | - | (174,124) |
| Total governmental activities | \$ 9,571,074 | \$ 636,164 | \$ 1,336,073 | \$ - | (7,598,837) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| | | | | | 1,721,626 |
| | | | | | 315,801 |
| | | | | | 5,221,144 |
| | | | | | 19,837 |
| Total general revenues | | | | | 7,278,408 |
| Changes in net assets | | | | | (320,429) |
| Net assets - beginning | | | | | 3,630,939 |
| Net assets - ending | | | | | \$ 3,310,510 |

* depreciation, amortization and interest expense are not allocated

The notes to the basic financial statements are an integral part of this statement.

COQUILLE SCHOOL DISTRICT NO. 8
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

| | Major Funds | | | Nonmajor Funds | Total |
|-------------------------------------|---------------------|-------------------|---------------------|-------------------|---------------------|
| | General | Special Grant | Capital Projects | | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 868,550 | \$ - | \$ 916,039 | \$ 130,159 | \$ 1,914,748 |
| Receivables: | | | | | |
| Intergovernmental | 9,748 | 343,934 | - | - | 353,682 |
| Property taxes - current | 30,285 | - | - | 5,951 | 36,236 |
| Property taxes - deferred | 204,929 | - | - | 36,303 | 241,232 |
| Prepaid expenses | 37,989 | - | - | - | 37,989 |
| Interfund receivable | 53,540 | - | - | - | 53,540 |
| Total assets and other debits | <u>\$ 1,205,041</u> | <u>\$ 343,934</u> | <u>\$ 916,039</u> | <u>\$ 172,413</u> | <u>\$ 2,637,427</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 23,093 | \$ 1,852 | \$ 3,440 | \$ - | \$ 28,385 |
| Payroll and benefits payable | 512,889 | - | - | - | 512,889 |
| Intergovernmental payable | 53,292 | 88,762 | 9,626 | - | 151,680 |
| Interfund payable | - | 53,540 | - | - | 53,540 |
| Deferred revenue | 204,929 | - | - | 36,303 | 241,232 |
| Total liabilities | <u>794,203</u> | <u>144,154</u> | <u>13,066</u> | <u>36,303</u> | <u>987,726</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | 36,052 | 36,052 |
| Restricted | - | 199,780 | 900,444 | 100,058 | 1,200,282 |
| Committed | - | - | 2,529 | - | 2,529 |
| Unassigned | 410,838 | - | - | - | 410,838 |
| Total fund balances | <u>410,838</u> | <u>199,780</u> | <u>902,973</u> | <u>136,110</u> | <u>1,649,701</u> |
| Total liabilities and fund balances | <u>\$ 1,205,041</u> | <u>\$ 343,934</u> | <u>\$ 916,039</u> | <u>\$ 172,413</u> | <u>\$ 2,637,427</u> |

The notes to the basic financial statements are an integral part of this statement.

COQUILLE SCHOOL DISTRICT NO. 8
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012

Total fund balances - governmental funds \$ 1,649,701

Amounts report for governmental activities in the Statement of Net Assets are different because:

Capital assets used in government activities are not current financial resources and, therefore, are not reported in the fund financial statements. These assets consist of:

| | | |
|---|--------------------|-----------|
| Land | \$ 162,580 | |
| Buildings, equipment and vehicles | 9,690,985 | |
| Less accumulated depreciation on capital assets | <u>(5,025,598)</u> | |
| | | 4,827,967 |

Certain assets reported in the Statement of Net Assets are not current financial resources and are not reported in the fund financial statements.

| | | |
|---------------------------------------|----------------|---------|
| Loan receivable (mortgage) | 176,658 | |
| Deferred bond refunding amounts (net) | <u>133,875</u> | |
| | | 310,533 |

The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.

| | | |
|----------------|--|---------|
| Property taxes | | 241,232 |
|----------------|--|---------|

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:

| | | |
|---|-----------------|--------------------|
| Long-term debt - General Obligation Bonds | (3,575,711) | |
| Capital leases payable | (98,744) | |
| Accrued interest on long-term debt | (6,171) | |
| Compensated absences | <u>(38,297)</u> | |
| | | <u>(3,718,923)</u> |

Total net assets - governmental activities \$ 3,310,510

The notes to the basic financial statements are an integral part of this statement.

COQUILLE SCHOOL DISTRICT NO. 8
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

| | Major Funds | | | | Total |
|--|-------------------|-------------------|---------------------|-------------------|---------------------|
| | General | Special Grant | Capital Projects | Nonmajor Funds | |
| Revenues: | | | | | |
| Local sources | \$ 1,840,914 | \$ 800,244 | \$ 12 | \$ 313,827 | \$ 2,954,997 |
| Intermediate sources | 8,954 | 73,064 | - | - | 82,018 |
| State sources | 5,204,143 | 3,589 | - | - | 5,207,732 |
| Federal sources | 8,964 | 973,428 | - | - | 982,392 |
| Total revenues | 7,062,975 | 1,850,325 | 12 | 313,827 | 9,227,139 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction | 3,941,931 | 802,913 | - | - | 4,744,844 |
| Supporting services | 3,478,506 | 370,266 | 147,798 | - | 3,996,570 |
| Community services | - | 769,110 | - | - | 769,110 |
| Facilities acquisition and construction | - | - | 88,175 | - | 88,175 |
| Debt service | - | - | - | 291,050 | 291,050 |
| Total expenditures | 7,420,437 | 1,942,289 | 235,973 | 291,050 | 9,889,749 |
| Excess (deficiency) of revenues over (under) expenditures | (357,462) | (91,964) | (235,961) | 22,777 | (662,610) |
| Other financing sources (uses): | | | | | |
| Transfer in | - | 95,000 | - | - | 95,000 |
| Transfer out | (95,000) | - | - | - | (95,000) |
| Issuance of debt | 123,415 | - | 1,095,711 | - | 1,219,126 |
| Total other financing sources (uses) | 28,415 | 95,000 | 1,095,711 | - | 1,219,126 |
| Net changes in fund balances | (329,047) | 3,036 | 859,750 | 22,777 | 556,516 |
| Fund balances, beginning of year | 739,885 | 196,744 | 43,223 | 113,333 | 1,093,185 |
| Fund balances, end of year | \$ 410,838 | \$ 199,780 | \$ 902,973 | \$ 136,110 | \$ 1,649,701 |

The notes to the basic financial statements are an integral part of this statement.

Coquille School District No. 8
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Fiscal Year Ended June 30, 2012

Total net change in fund balances - governmental funds \$ 556,516

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

Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.

Property taxes 17,067

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, these costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount of depreciation and capital outlay expenditures for the year.

| | | |
|----------------|----------------|---------|
| Depreciation | \$ (174,124) | |
| Capital outlay | <u>307,257</u> | 133,133 |

The issuance of long-term debt and proceeds of capital leasing provides current financial resources to the governmental funds while the repayment of long-term debt and capital leases consumes the current financial resources. However, neither has any affect on the Statement of Activities.

| | | |
|---|---------------|-------------|
| Capital lease proceeds | (1,174,838) | |
| Amortization of deferred payment on bond refunding | (13,455) | |
| Amortization of bond issuance costs | (68,030) | |
| Principal payments on refinanced General Obligation Bonds | 190,000 | |
| Principal payments on capital lease | <u>32,207</u> | (1,034,116) |

Some items reported in the Statement of Activities do not require the use of current financial resources or may not be available as a current financial resource and therefore, are not reported as expenditures or resources in governmental funds.

| | | |
|---------------------------------------|--------------|--------------|
| Change in accrued interest receivable | 6,439 | |
| Change in accrued interest payable | (2,555) | |
| Change in retirement contract payable | 1,877 | |
| Change in compensated absences | <u>1,210</u> | <u>6,971</u> |

Change in net assets of governmental activities \$ (320,429)

The notes to the basic financial statements are an integral part of this statement.

COQUILLE SCHOOL DISTRICT NO. 8
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

| | <u>Alumni Agency Fund</u> |
|--|-------------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 4,999</u> |
| LIABILITIES | |
| Due to others | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | 26 |
| FUND BALANCES | |
| Net assets, beginning of year | <u>4,973</u> |
| Net assets, end of year | <u><u>\$ 4,999</u></u> |

The notes to the basic financial statements are an integral part of this statement.

COQUILLE SCHOOL DISTRICT NO. 8
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Coquille School District No. 8 (District), located in Coos County, Oregon, was organized under Oregon statutes pursuant to Oregon Revised Statutes (ORS) Chapter 332 for the purpose of operating elementary and secondary schools. The District is governed by an elected seven member Board of Directors. The Superintendent is the District Clerk and is responsible to the Board of Directors.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. Based on the application of the criteria established by Governmental Accounting Standards Board (GASB), there are no potential component units of the District.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of Coquille School District No. 8 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

1. Basis of Presentation

District-wide Financial Statements. The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government. Fiduciary funds are not included in the District-wide financial statements.

Governmental activities – The District's programs are reported in this category, including the General Fund, the Special Revenue Fund, the Capital Projects Fund, the Debt Service Fund and the Permanent Trust Fund. Property taxes and state and federal grants are the primary sources that finance these activities.

The District-wide statements are prepared using the economic resources measurement focus and reported on the accrual basis. This is the same approach used in preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the District-wide statements and the statements for governmental funds. Transactions between funds, such as transfers and loans, are eliminated in the District-wide statements.

The District-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses such as interest and depreciation are not allocated across functions, as they are not specifically associated with a particular service, program or department.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the District; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the susceptible to accrual criteria are met.

Fund Financial Statements. Fund financial statements report detailed information about the District. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Separate financial statements are provided for governmental funds. Major individual funds are reported as separate columns in the fund financial statements.

The financial statements for the governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

2. *Fund Accounting*

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. A minimum number of funds are maintained consistent with legal and managerial requirements.

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. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims of judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, other taxes and charges for services are susceptible to accrual if received within 30 days of fiscal year end. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The District reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for and reports on all financial resources of the general government, except those required to be accounted for in another fund. Resources consist of property taxes, state school support and other various revenues sources.

Special Grant Fund – The Special Grant Fund accounts for and reports on revenue sources that are legally restricted to expenditure for specific purposes, as well as revenues received and expenditures made for athletics, professional growth, food service, scholarships and student activities. Federal grants, fees, charges for service and interest earnings are the major sources of revenue.

Capital Projects Fund - This fund accounts for and reports on the acquisition of capital assets or construction of major capital projects not being financed by the General Fund. The major sources of revenue are proceeds from the sale of capital assets, bond or loan proceeds, and interest earnings.

Additionally, the District reports the following fund types:

Debt Service Fund – This fund accounts for and reports on servicing of long term debt. Resources are provided by property tax receipts and interest earnings.

Permanent Fund – This fund accounts for and reports on the contributions received from the Hanley Trust. This fund is legally restricted to the extent that only earnings, not principal, may be used to support any of the District's programs.

Fiduciary funds account for and report on assets held by the District in a trustee capacity or as an agent on behalf of others. Funds of this type are accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting.

The *Agency Fund* accounts for assets held by the District in a purely custodial capacity.

C. Assets, Liabilities and Equity

1. Cash and Cash Equivalentents

The District's cash and cash equivalentents are considered to be cash on hand, demand deposits, and investments in the Oregon State Treasury Local Government Investment Pool (LGIP).

All cash and cash equivalentents are carried at amortized cost, which approximates fair value.

The District maintains merged bank accounts for its funds in a central pool of cash and cash equivalents. The investment policy of the District is to invest in LGIP and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments authorized for municipal corporations. The District allocates interest to the General Fund, the Debt Service Fund, the Special Grant Fund, the Capital Projects Fund and the Hanley Trust Fund based on average monthly cash balances.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Other receivables including property taxes, accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph B above.

3. *Inventories*

Physical inventories are taken for control purposes only with no dollar value assigned. The fair market value of such inventories has been recorded as expenditures when purchased. Accordingly, a value is not included on the balance sheet.

4. *Capital Assets*

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the District-wide Statement of Net Assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Capital assets are defined by the District as assets with an initial individual cost of \$5,000 or more and an initial useful life of more than a single reporting period. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| | |
|-------------------|----------------|
| Land improvements | 10 - 40 years |
| Buildings | 20 - 100 years |
| Equipment | 5 - 25 years |
| Vehicles | 10 - 15 years |

5. *Compensated Absences*

Vested or accumulated vacation leave is reported on the District-wide financial statements. No expenditure is reported for these amounts in the fund financial statements and they are reported as liabilities on the District-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as the result of employee resignations and retirements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

The governmental fund typically used in prior years to liquidate the liability for compensated absences has been the General Fund.

6. *Long-term Obligations*

The District reports long-term debt of governmental activities at face value in the District-wide Statement of Net Assets. Certain other governmental obligations not expected to be financed with current available financial resources are also reported in the District-wide statement of net assets. These obligations are not reported in the governmental fund financial statements.

7. *Deferred Revenue*

The District reports deferred revenue on its balance sheet, which consists of unearned or unavailable revenue at fiscal year end.

8. *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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

9. *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

10. *Fund Equity*

The District has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement enhances 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 upon the use of the resources reported in governmental funds.

As a result, in the fund financial statements, fund balances are now classified as follows:

Nonspendable—Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the local, state or federal laws, or externally imposed conditions by grantors, creditors or enabling legislation.

Committed—Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts can not be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned—Amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Intent must be expressed by the Board of Directors or their authorized designee. The Board of Directors has not appointed an authorized designee.

Unassigned—All amounts not included in other classifications.

The amounts in the various categories of fund balance are included in the governmental funds balance sheet. As discussed in Note 1 B.2 restricted funds are used first as appropriate. Decreases to the remaining fund balance categories first reduce committed fund balance, followed by assigned fund balance, then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of those fund balance classifications could be used.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The District begins its budgeting process by appointing budget committee members in early fall of each year. Recommendations are developed through early spring and the Budget Committee usually approves the budget in late spring. Public notices of the budget hearing are generally published in early June, and the public hearing is held in late June. The budget is adopted, appropriations are made and the tax rate is declared no later than June 30. The resolution authorizing appropriations for each fund, by function, sets the legal limit for expenditures.

The following functions, by fund, are the legal levels of budgetary control:

- Instruction
- Supporting services
- Community services
- Facilities acquisition and construction
- Interagency/Fund transactions
- Debt service
- Contingency

Management may reassign resources within functions without seeking approval of the District's Board of Directors.

Original appropriations may be increased through resolutions by transferring amounts between appropriations in the same fund or by transferring from an appropriation in the General Fund to an appropriation category in another fund. A supplemental budget is needed to increase appropriations when appropriations transfers are unauthorized. Budget amounts are as originally adopted, or as amended by the District's Board of Directors.

B. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations for the fiscal year ended June 30, 2012 in the following amounts:

| | |
|---|------------------|
| Debt Service Fund | |
| Debt Service | <u>\$ 4,050</u> |
| Capital Projects Fund | |
| Facilities acquisition and construction | <u>\$ 43,175</u> |

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the District at June 30, 2012. If bank deposits at year end are not entirely insured or collateralized with securities held by the District or by its agent in the District's name, the District must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to participate in the Public Funds Collateralization Pool. The Public Funds Collateralization Pool is a multiple financial institution collateral pool administered by the Oregon State Treasurer's Office.

For the fiscal year ended June 30, 2012, the carrying amount of the District's deposits in various financial institutions was \$1,413,953 and the bank balance was \$1,485,140. Of the bank balance, \$350,000 was insured by the Federal Depository Insurance Corporation and \$1,135,140 was covered by the collateralization pool. Additionally, \$986 deposited in a PayPal account was uninsured and uncollateralized.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk.

Effective July 1, 2008, the Oregon State Treasurer became responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized to the extent required by Oregon Revised Statutes (ORS) 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third party custodian bank securities having a value of 10 percent, 25 percent or 110 percent of public funds on deposit depending primarily on the capitalization level of the depository bank. Any amount of District deposits covered by the state collateral pool is not exposed to custodial credit risk because although the collateral is held by a third party custodian bank, it is considered to be held in the District's name.

Investments. Coquille School District has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the District's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 294.810. These funds are held in the District's name and are not subject to collateralization requirements of ORS 295.015. Investments are stated at cost, which approximates fair value.

Credit Risk. Credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The State of Oregon LGIP 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 Pool's investment policies. The State Treasurer is the investment officer of the Pool and it is responsible for all funds in the Pool. 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 Funds Board, which establish diversification percentages and specify the types and maturities of investments. The District has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The District has no such investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund Board manages this risk by limiting the maturity of the investments held by the fund. The District has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

As of June 30, 2012, the District had the following investments:

| Investment Type | Maturity | Percentage of Portfolio | Fair Value |
|----------------------------------|----------|----------------------------|------------|
| Local Government Investment Pool | 1 day | 100% | \$ 504,408 |

A reconciliation of cash and cash equivalents as shown on the balance sheet follows:

| | |
|--|---------------------|
| Cash on hand | \$ 400 |
| Carrying amounts of deposits | 1,414,939 |
| Carrying amounts of investments in LGIP | <u>504,408</u> |
| Total cash and cash equivalents | <u>\$ 1,919,747</u> |
| Cash and cash equivalents and restricted cash and cash equivalents by fund: | |
| General fund | \$ 868,550 |
| Capital projects fund | 916,039 |
| Nonmajor funds: | |
| Restricted cash and cash equivalents | 36,052 |
| Cash and cash equivalents | <u>94,107</u> |
| Total Governmental Funds | 1,914,748 |
| Fiduciary | <u>4,999</u> |
| Total cash and cash equivalents | <u>\$ 1,919,747</u> |

B. Receivables

Receivables as of fiscal year-end are as follows:

| | General Fund | Special Grant Fund | Capital Projects Fund | Non-major Funds | Totals |
|---------------------------|-------------------|--------------------------|-----------------------------|--------------------|-------------------|
| Receivables: | | | | | |
| Intergovernmental | \$ 9,748 | \$ 343,934 | \$ - | \$ - | \$ 353,682 |
| Property taxes - current | 30,285 | - | - | 5,951 | 36,236 |
| Property taxes - deferred | <u>204,929</u> | <u>-</u> | <u>-</u> | <u>36,303</u> | <u>241,232</u> |
| Net total receivables | <u>\$ 244,962</u> | <u>\$ 343,934</u> | <u>\$ -</u> | <u>\$ 42,254</u> | <u>\$ 631,150</u> |

All non-current property taxes receivable are treated as deferred revenue in the fund financial statements. Other accounts and intergovernmental receivables are considered to be fully collectible. Accordingly, no provision for estimated uncollectables has been established.

Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by the County of Coos and remittance to the District is made at periodic intervals. For fiscal year 2011-2012, the District imposed the taxes at a rate of \$4.2522 per \$1,000 of assessed value. After reduction for estimated shared offsets, truncation, and loss due to constitutional limits of \$12,030, this resulted in a net levy of \$2,071,003, including \$319,348 levied for payment of bonded debt.

Following is a summary of property tax transactions for the year ended June 30, 2012:

| General Fund | Receivable 6/30/2011 | 2011-2012 Net Levy | Collections and Adjustments | Receivable 6/30/2012 |
|---------------------------|-------------------------|-----------------------|-----------------------------------|-------------------------|
| 2011-12 | \$ - | \$ 1,751,655 | \$ 1,651,415 | \$ 100,240 |
| 2010-11 | 96,863 | - | 43,759 | 53,104 |
| 2009-10 | 49,974 | - | 18,701 | 31,273 |
| 2008-09 | 28,654 | - | 17,180 | 11,474 |
| 2007-08 | 9,826 | - | 6,658 | 3,168 |
| 2006-07 | 2,076 | - | 641 | 1,435 |
| Prior Years | 3,949 | - | (286) | 4,235 |
| Total | \$ 191,342 | \$ 1,751,655 | \$ 1,738,068 | 204,929 |
| Taxes receivable, current | | | | <u>30,285</u> |
| Total taxes receivable | | | | <u>\$ 235,214</u> |

| Debt Service | Receivable 6/30/2011 | 2011-2012 Net Levy | Collections and Adjustments | Receivable 6/30/2012 |
|---------------------------|-------------------------|-----------------------|-----------------------------------|-------------------------|
| 2011-12 | \$ - | \$ 319,348 | \$ 301,071 | \$ 18,277 |
| 2010-11 | 18,150 | - | 8,199 | 9,951 |
| 2009-10 | 7,673 | - | 2,872 | 4,801 |
| 2008-09 | 4,434 | - | 2,659 | 1,775 |
| 2007-08 | 1,533 | - | 1,039 | 494 |
| 2006-07 | 292 | - | 90 | 202 |
| Prior Years | 741 | - | (62) | 803 |
| Total | \$ 32,823 | \$ 319,348 | \$ 315,868 | \$ 36,303 |
| Taxes receivable, current | | | | <u>5,951</u> |
| Total taxes receivable | | | | <u>\$ 42,254</u> |

C. Capital Assets

Capital asset activity of the District for the fiscal year ended June 30, 2012 was as follows:

| Governmental Capital Assets | Balance 6/30/2011 | Additions | Deletions | Balance 6/30/2012 |
|--|----------------------|------------|-----------|----------------------|
| <i><u>Capital assets not being depreciated</u></i> | | | | |
| Land | \$ 73,738 | \$ 88,842 | \$ - | \$ 162,580 |
| <i>Capital assets being depreciated</i> | | | | |
| Land improvements | 268,445 | 95,000 | - | 363,445 |
| Buildings | 8,175,567 | - | - | 8,175,567 |
| Equipment | 385,709 | 18,937 | (26,910) | 377,736 |
| Vehicles | 713,867 | 104,478 | (44,108) | 774,237 |
| Total capital assets being depreciated | 9,543,588 | 218,415 | (71,018) | 9,690,985 |
| <i><u>Less accumulated depreciation for:</u></i> | | | | |
| Land improvements | (236,724) | (121,827) | - | (358,551) |
| Buildings | (3,737,419) | (7,393) | - | (3,744,812) |
| Equipment | (321,507) | (19,318) | 26,910 | (313,915) |
| Vehicles | (626,842) | (25,586) | 44,108 | (608,320) |
| Total accumulated depreciation | (4,922,492) | (174,124) | 71,018 | (5,025,598) |
| Total capital assets being depreciated (net) | 4,621,096 | 44,291 | - | 4,665,387 |
| Governmental activities capital assets (net) | \$ 4,694,834 | \$ 133,133 | \$ - | \$ 4,827,967 |

Depreciation expense is not allocated among functions.

D. Fund Balance

The District has adopted GASB Statement No. 54 which redefined how fund balances are presented in fund financial statements. In the governmental fund financial statements, fund balances are classified as follows:

| | General Fund | Special Grant Fund | Capital Projects Fund | Nonmajor Funds | Total |
|------------------------------------|-------------------|--------------------------|-----------------------------|-------------------|---------------------|
| Nonspendable: | | | | | |
| Trust corpus | \$ - | \$ - | \$ - | \$ 36,052 | \$ 36,052 |
| Restricted: | | | | | |
| Debt service | - | - | - | 91,454 | 91,454 |
| Donations for specific purposes | - | 64,322 | - | 8,604 | 72,926 |
| Food service | - | 22,868 | - | - | 22,868 |
| Student body activities | - | 112,590 | - | - | 112,590 |
| Capital projects | - | - | 900,444 | - | 900,444 |
| Committed: | | | | | |
| Capital projects | - | - | 2,529 | - | 2,529 |
| Unassigned: | 410,838 | - | - | - | 410,838 |
| Total fund balance | <u>\$ 410,838</u> | <u>\$ 199,780</u> | <u>\$ 902,973</u> | <u>\$ 136,110</u> | <u>\$ 1,649,701</u> |

E. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. In addition, governmental funds report deferred revenue in connection with resources that have been received but not yet earned. At June 30, 2012, the various components of deferred revenue consisted of the following:

| <u>Type of revenue by fund</u> | <u>Unavailable</u> | <u>Unearned</u> | <u>Total</u> |
|--------------------------------|--------------------|-----------------|-------------------|
| Property taxes receivable | | | |
| General Fund | \$ 204,929 | \$ - | \$ 204,929 |
| Debt Service Fund | 36,303 | - | 36,303 |
| Total deferred revenue | <u>\$ 241,232</u> | <u>\$ -</u> | <u>\$ 241,232</u> |

F. Interfund Transfers

The composition of interfund transfers in the fund financial statements as of June 30, 2012 is as follows:

| <u>Receivable Fund</u> | <u>Amount</u> |
|-----------------------------------|------------------|
| General Fund | <u>\$ 53,540</u> |
| <u>Payable Fund</u> | |
| Special Grant Fund | <u>\$ 53,540</u> |
| <u>Interfund Transfers:</u> | |
| Transfer out General Fund | <u>\$ 95,000</u> |
| Transfer in Special Grant Fund | <u>\$ 95,000</u> |

The interfund receivable/payable between the General Fund and the Special Grant Fund is for cash management purposes. The transfers from the General Fund to the Special Grant Fund are routine transfers to support activities related to Professional Growth, Food Service and Athletics.

G. Leases

Operating leases: The District leases a copier and a postage machine under non-cancelable operating leases. Total costs for such leases were \$3,438 for the fiscal year ended June 30, 2012. The future minimum payments for these leases are as follows:

| <u>Fiscal Year</u> | <u>Payments</u> |
|--------------------|-----------------|
| 2012-2013 | \$ 1,476 |
| 2013-2014 | 1,476 |
| 2014-2015 | 1,476 |
| 2015-2016 | 1,476 |
| 2016-2017 | 738 |
| | <u>\$ 6,642</u> |

H. Long-Term Debt

Capital Leases: At June 30, 2012, the District had two copiers and one bus under lease purchase agreements. The balance of these agreements at June 30, 2012 was \$98,744. The items under lease at year-end had a cost of \$123,415, with accumulated depreciation of \$8,686 and a net book value of \$114,729. Capital lease payments are made out of the general fund.

The annual lease payments for these capital leases are as follows:

| <u>Fiscal Year</u> | <u>Payments</u> |
|--------------------|------------------|
| 2012-13 | \$ 27,197 |
| 2013-14 | 27,197 |
| 2014-15 | 27,196 |
| 2015-16 | 25,540 |
| 2016-17 | 1,696 |
| | <u>108,826</u> |
| Less interest | <u>(10,082)</u> |
| Principal due | <u>\$ 98,744</u> |

General Obligation Bonds: On March 13, 2001, the voters of the District approved a general obligation (GO) bond issue in the amount of \$3,545,000 to expand and improve the District's facilities. The District shall levy annually as provided by law a direct ad valorem tax upon all taxable property within the District in a sufficient amount to pay the principal and interest on the bonds as they become due for a period of 20 years. On October 6, 2005, a portion of the bonds maturing June 15 in the years 2006 through 2021 were refinanced (2005 Advanced Refunding of 2001 GO Bonds). The remaining bonds matured in 2011. The refinanced bonds bear interest rates of 3.0 percent to 4.0 percent. The purpose of the refunding was undertaken to reduce the total debt service payments over the next 15 years by \$108,874 and resulted in an economic gain of \$84,974.

The reacquisition price exceeded the net carrying amount of the refunded debt by \$204,463. This amount is reported as an offset against the new debt and is amortized over the life of the refunded debt, which is the same life as the debt issued. GO Bond payments are made out of the debt service fund.

The future debt maturity requirements are as follows at June 30, 2012:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|--------------------|---------------------|-------------------|-------------------------------|
| 2012-2013 | \$ 210,000 | \$ 93,450 | \$ 303,450 |
| 2013-2014 | 225,000 | 85,838 | 310,838 |
| 2014-2015 | 235,000 | 76,837 | 311,837 |
| 2015-2016 | 255,000 | 68,495 | 323,495 |
| 2016-2017 | 270,000 | 59,188 | 329,188 |
| 2017-2018 | 295,000 | 49,197 | 344,197 |
| 2018-2019 | 310,000 | 38,135 | 348,135 |
| 2019-2020 | 330,000 | 26,355 | 356,355 |
| 2020-2021 | 350,000 | 13,650 | 363,650 |
| Total | <u>\$ 2,480,000</u> | <u>\$ 511,145</u> | <u>\$ 2,991,145</u> |

Promissory Note: On July 18, 2011 the District entered into a loan agreement with Oregon First Community Credit Union in the amount of \$70,711 for the purpose of purchasing a house and piece of land adjacent to District property. The loan bears an interest rate of 4% and has a four-year term. Debt service payments will be made out of the general fund.

The future debt maturity requirements are as follows at June 30, 2012:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|--------------------|------------------|-----------------|-------------------------------|
| 2012-2013 | \$ 16,663 | \$ 2,813 | \$ 19,476 |
| 2013-2014 | 17,314 | 2,162 | 19,476 |
| 2014-2015 | 18,007 | 1,469 | 19,476 |
| 2015-2016 | 18,727 | 749 | 19,476 |
| Total | <u>\$ 70,711</u> | <u>\$ 7,193</u> | <u>\$ 77,904</u> |

Certificates of Participation: On January 19, 2012 the District entered into an agreement to participate in the Oregon School Boards Association Flex Fund Program. The program issues tax-credit bonds, known as Qualified Zone Academy Bonds (QZAB). Bonds were issued in the amount of \$1,025,000 and mature in 2030. Proceeds are to be used to finance roof replacements, HVAC replacements, and various improvements at school facilities. The bonds bear interest at 4.625%, however, as part of the Taxpayer Relief Act of 1997 the institutions holding the bonds receive a tax credit in lieu of interest. Interest is payable semiannually, with principal payments due in June of each year. Payment is made from the general fund.

The future debt maturity requirements are as follows at June 30, 2012:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|--------------------|---------------------|-------------------|-------------------------------|
| 2012-2013 | \$ 56,944 | \$ 66,237 | \$ 123,181 |
| 2013-2014 | 56,944 | 47,406 | 104,350 |
| 2014-2015 | 56,944 | 47,406 | 104,350 |
| 2015-2016 | 56,944 | 47,406 | 104,350 |
| 2016-2017 | 56,944 | 47,406 | 104,350 |
| 2017-2018 | 56,944 | 47,406 | 104,350 |
| 2018-2019 | 56,944 | 47,406 | 104,350 |
| 2019-2020 | 56,944 | 47,406 | 104,350 |
| 2020-2025 | 284,720 | 237,030 | 521,750 |
| 2025-2030 | 284,728 | 237,034 | 521,762 |
| Total | <u>\$ 1,025,000</u> | <u>\$ 872,143</u> | <u>\$ 1,897,143</u> |

During the year ended June 30, 2012, the following changes occurred in long-term liabilities reported in the Statement of Net Assets:

| | Balance 6/30/2011 | Additions | Deletions | Balance 6/30/2012 | Due Within One Year |
|---|----------------------|---------------------|---------------------|----------------------|------------------------|
| Capital leases | \$ 7,536 | \$ 123,415 | \$ (32,207) | \$ 98,744 | \$ 26,866 |
| 2012 Green house loan | - | 70,711 | - | 70,711 | 16,663 |
| 2012 QZAB loan | - | 1,025,000 | - | 1,025,000 | 56,944 |
| 2005 Refunding of 2001 general obligation bonds payable | 2,670,000 | - | (190,000) | 2,480,000 | 210,000 |
| Total | 2,677,536 | 1,219,126 | (222,207) | 3,674,455 | 310,473 |
| Less: deferred amounts on refunding | (129,830) | (17,500) | 13,455 | (133,875) | (13,929) |
| Total | <u>\$ 2,547,706</u> | <u>\$ 1,201,626</u> | <u>\$ (208,752)</u> | <u>\$ 3,540,580</u> | <u>\$ 296,544</u> |

Additionally, the following changes occurred in compensated absences and retirement contracts payable:

| | Balance 6/30/2011 | Additions | Deletions | Balance 6/30/2012 | Due Within One Year |
|-------------------------|----------------------|------------------|--------------------|----------------------|------------------------|
| Compensated absences | \$ 39,507 | \$ 37,102 | \$ (38,312) | \$ 38,297 | \$ 38,297 |
| Retirement contract | 1,877 | - | (1,877) | - | - |
| Total | <u>\$ 41,384</u> | <u>\$ 37,102</u> | <u>\$ (40,189)</u> | <u>\$ 38,297</u> | <u>\$ 38,297</u> |

IV. OTHER INFORMATION

A. 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; and natural disasters for which the District carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the District has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

B. Commitments and Contingent Liabilities

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

C. Employee Retirement Systems and Plans

Public Employees Retirement System

Plan Description. Coquille School District No. 8 contributes to the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees.

All Oregon school districts are required by law to be part of a school district pool. Pooling allows separate employers to be part of one group for the purpose of determining employer pension costs and contributions rates. Pool participants share pension assets and future pension liabilities and surpluses. Employers in the pool jointly fund the future pension cost of all the pooled participants.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.oregon.gov/pers.

Funding Policy. Plan members are required to contribute 6 percent of their annual covered salary and Coquille School District No. 8 is required to contribute at an actuarially determined rate. For the District's portion, the current rate is 19.48 percent of annual covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (OPSRP). The rate for OPSRP is set at 17.97 percent of annual covered payroll.

The contribution requirements of plan members and Coquille School District No. 8 are established and may be amended by the PERS Board of Trustees. The District's contributions to PERS for the years ending June 30, 2012, 2011, and 2010 were \$977,410, \$737,537, and \$759,039, respectively, equal to the required contributions for each year.

The pension liability (asset) was determined in accordance with *Government Accounting Standards* Board Statement No. 27. Since all actuarially determined contributions have been paid, the pension liability (asset) is zero.

D. Postemployment Healthcare Plan

Retirement Contract Payable. During the year ending June 30, 2010, the District entered into a contract to provide a single employee with health insurance benefits, for a period of less than two years and not to exceed \$12,000. During the year the District paid \$2,457 and the remaining liability at June 30, 2012 was zero.

Other. The District did not implement GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2012. This standard requires the District to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected benefits for retired and active employees on the financial statements.

The District does not have a formal postemployment benefits plan for any employee group, however the District is required by Oregon Revised Statutes 243.303 to provide retirees with the opportunity to purchase group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of the retiree healthcare premiums represents an implicit employer contribution. GASB Statement No. 45 is applicable to the District due only to this implicit rate subsidy. The District did not determine the amount of their liability under GASB Statement No. 45, therefore the effect on the statement of net assets and the statement of activities cannot be determined. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

MAJOR FUNDS

General Fund – The General Fund is used to account for and report on resources and activities directly associated with carrying out those operations related to the District's educational objectives. Included are all resources and activities which are not accounted for in another fund. The major sources of revenues are property taxes and state school funds.

Special Grant Fund – The Special Grant Fund accounts for and report on revenue sources that are restricted or committed to expenditure for specific purposes, as well as revenues received and expenditures made for athletics, professional growth, food service, scholarships and student activities. Federal grants, fees, charges for service, transfers and interest earnings are the major sources of revenue.

Capital Projects Fund – The Capital Projects Fund accounts for and reports on the acquisition of capital assets or construction of major capital projects not being financed by the General Fund. The major sources of revenue are loan proceeds, proceeds from the sale of capital assets and interest earnings.

**REQUIRED SUPPLEMENTARY
INFORMATION**

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2012

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance</u> |
|--|------------------|------------------|-------------------|-------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Local sources | \$ 1,955,391 | \$ 1,957,871 | \$ 1,840,914 | \$ (116,957) |
| Intermediate sources | 20,001 | 20,001 | 8,954 | (11,047) |
| State sources | 5,112,497 | 5,112,497 | 5,204,143 | 91,646 |
| Federal sources: | 15,000 | 15,000 | 8,964 | (6,036) |
| Total revenues | <u>7,102,889</u> | <u>7,105,369</u> | <u>7,062,975</u> | <u>(42,394)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 4,127,065 | 4,129,545 | 3,941,931 | 187,614 |
| Supporting services | 3,611,787 | 3,611,787 | 3,478,506 | 133,281 |
| Debt service | 18,700 | 18,700 | - | 18,700 |
| Contingency | 100,000 | 100,000 | - | 100,000 |
| Total expenditures | <u>7,857,552</u> | <u>7,860,032</u> | <u>7,420,437</u> | <u>439,595</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(754,663)</u> | <u>(754,663)</u> | <u>(357,462)</u> | <u>397,201</u> |
| Other financing sources (uses): | | | | |
| Transfer out | (95,000) | (95,000) | (95,000) | - |
| Issuance of debt | 104,478 | 104,478 | 123,415 | 18,937 |
| Total other financing sources (uses) | <u>9,478</u> | <u>9,478</u> | <u>28,415</u> | <u>18,937</u> |
| Net change in fund balance | (745,185) | (745,185) | (329,047) | 416,138 |
| Fund balance, beginning of year | <u>745,185</u> | <u>745,185</u> | <u>739,885</u> | <u>(5,300)</u> |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 410,838</u> | <u>\$ 410,838</u> |

See auditor's report

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL GRANT FUND
For the Fiscal Year Ended June 30, 2012

| | Budget | | Actual | Variance |
|--|------------------|------------------|-------------------|-------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Local sources | \$ 650,734 | \$ 750,396 | \$ 800,244 | \$ 49,848 |
| Intermediate sources | 7,700 | 20,184 | 73,064 | 52,880 |
| State sources | - | - | 3,589 | 3,589 |
| Federal sources | 1,339,026 | 1,353,459 | 973,428 | (380,031) |
| Total revenues | <u>1,997,460</u> | <u>2,124,039</u> | <u>1,850,325</u> | <u>(273,714)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 1,054,129 | 1,081,179 | 802,913 | 278,266 |
| Supporting services | 357,406 | 456,935 | 370,266 | 86,669 |
| Community services | 916,990 | 916,990 | 769,110 | 147,880 |
| Total expenditures | <u>2,328,525</u> | <u>2,455,104</u> | <u>1,942,289</u> | <u>512,815</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(331,065)</u> | <u>(331,065)</u> | <u>(91,964)</u> | <u>239,101</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>95,000</u> | <u>95,000</u> | <u>95,000</u> | <u>-</u> |
| Total other financing sources | <u>95,000</u> | <u>95,000</u> | <u>95,000</u> | <u>-</u> |
| Net change in fund balance | (236,065) | (236,065) | 3,036 | 239,101 |
| Fund balance, beginning of year | <u>285,065</u> | <u>285,065</u> | <u>196,744</u> | <u>(88,321)</u> |
| Fund balance, end of year | <u>\$ 49,000</u> | <u>\$ 49,000</u> | <u>\$ 199,780</u> | <u>\$ 150,780</u> |

See auditor's report

SUPPLEMENTAL INFORMATION

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2012

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|---------------------|-------------------|-------------------|
| Revenues: | | | |
| Local sources | \$ - | \$ 12 | \$ 12 |
| Total revenues | <u>-</u> | <u>12</u> | <u>12</u> |
| Expenditures: | | | |
| Current: | | | |
| Supporting services | 526,243 | 147,798 | 378,445 |
| Facilities acquisition and construction | 45,000 | 88,175 | (43,175) |
| Contingency | 100,000 | - | 100,000 |
| Total expenditures | <u>671,243</u> | <u>235,973</u> | <u>435,270</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(671,243)</u> | <u>(235,961)</u> | <u>435,282</u> |
| Other financing sources (uses): | | | |
| Issuance of debt | <u>1,025,000</u> | <u>1,095,711</u> | <u>70,711</u> |
| Net change in fund balance | 353,757 | 859,750 | 505,993 |
| Fund balance, beginning of year | <u>45,000</u> | <u>43,223</u> | <u>(1,777)</u> |
| Fund balance, end of year | <u>\$ 398,757</u> | <u>\$ 902,973</u> | <u>\$ 504,216</u> |

See auditor's report

NONMAJOR FUNDS

Debt Service Fund – This fund accounts for and reports on the servicing of long-term debt. Major sources of revenues are property taxes and interest earnings.

Permanent Fund – This fund accounts for and reports on the contributions received from the Hanley Trust. This fund is legally restricted to the extent that only earnings, not principal, may be used to support any of the District's programs.

**COQUILLE SCHOOL DISTRICT NO. 8
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012**

| | <u>Debt Service Fund</u> | <u>Permanent Fund Hanley Trust</u> | <u>Total</u> |
|--------------------------------------|----------------------------------|--|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 85,503 | \$ 44,656 | \$ 130,159 |
| Property taxes receivable - current | 5,951 | - | 5,951 |
| Property taxes receivable - deferred | 36,303 | - | 36,303 |
| | <u>\$ 127,757</u> | <u>\$ 44,656</u> | <u>\$ 172,413</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Deferred revenue | \$ 36,303 | \$ - | \$ 36,303 |
| Fund balances: | | | |
| Nonspendable | - | 36,052 | 36,052 |
| Restricted | 91,454 | 8,604 | 100,058 |
| | <u>91,454</u> | <u>44,656</u> | <u>136,110</u> |
| Total fund balances | <u>\$ 127,757</u> | <u>\$ 44,656</u> | <u>\$ 172,413</u> |
| Total liabilities and fund balances | <u>\$ 127,757</u> | <u>\$ 44,656</u> | <u>\$ 172,413</u> |

See auditor's report

COQUILLE SCHOOL DISTRICT NO. 8
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

| | Debt Service Fund | Permanent Fund Hanley Trust | Total |
|---------------------------------|-------------------------|--------------------------------------|------------|
| Revenues: | | | |
| Local sources | \$ 313,592 | \$ 235 | \$ 313,827 |
| Expenditures: | | | |
| Debt service | 291,050 | - | 291,050 |
| Net change in fund balances | 22,542 | 235 | 22,777 |
| Fund balance, beginning of year | 68,912 | 44,421 | 113,333 |
| Fund balance, end of year | \$ 91,454 | \$ 44,656 | \$ 136,110 |

See auditor's report

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2012

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------------------|---------------------|-------------------------|-------------------------|
| Revenues: | | | |
| Local sources | <u>\$ 287,000</u> | <u>\$ 313,592</u> | <u>\$ 26,592</u> |
| Expenditures: | | | |
| Debt service principal | 175,000 | 190,000 | (15,000) |
| Debt service interest | <u>112,000</u> | <u>101,050</u> | <u>10,950</u> |
| Total expenditures | <u>287,000</u> | <u>291,050</u> | <u>(4,050)</u> |
| Net change in fund balance | - | 22,542 | 22,542 |
| Fund balance, beginning of year | <u>-</u> | <u>68,912</u> | <u>68,912</u> |
| Fund balance, end of year | <u><u>\$ -</u></u> | <u><u>\$ 91,454</u></u> | <u><u>\$ 91,454</u></u> |

See auditor's report.

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PERMANENT FUND - HANLEY TRUST
For the Fiscal Year Ended June 30, 2012

| | Final Budget | Actual | Variance |
|---------------------------------|--------------|-----------|----------|
| Revenues: | | | |
| Local sources | \$ 1,200 | \$ 235 | \$ (965) |
| Expenditures: | | | |
| Current: | | | |
| Community services | - | - | - |
| Net change in fund balance | 1,200 | 235 | (965) |
| Fund balance, beginning of year | 44,000 | 44,421 | 421 |
| Fund balance, end of year | \$ 45,200 | \$ 44,656 | \$ (544) |

See auditor's report

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ALUMNI AGENCY FUND
For the Fiscal Year Ended June 30, 2012

| | Final Budget | Actual | Variance |
|---------------------------------|--------------|----------|----------|
| Revenues: | | | |
| Local sources | \$ 150 | \$ 26 | \$ (124) |
| Net change in fund balance | 150 | 26 | (124) |
| Fund balance, beginning of year | 5,000 | 4,973 | (27) |
| Fund balance, end of year | \$ 5,150 | \$ 4,999 | \$ (151) |

See auditor's report

ACCOMPANYING INFORMATION



**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**

December 28, 2012

To the Board of Directors of Coquille School District No. 8:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Coquille School District No. 8 as of and for the year ended June 30, 2012, which collectively comprise the Coquille School District No. 8's basic financial statements as listed in the table of contents and have issued our report thereon dated December 28, 2012. The report was qualified because the District has chosen to not adopt Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*, which is required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Coquille School District No. 8 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Coquille School District No. 8's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

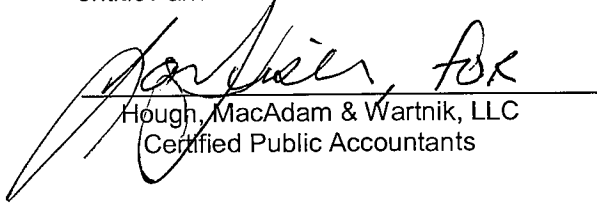
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coquille School District No. 8's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management; the Board of Directors; the State of Oregon, Secretary of State, Division of Audits; and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Hough, MacAdam & Wartnik, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S COMMENTS

June 30, 2012

Audit Report Requirements

Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required schedules, comments, and disclosures not included in the preceding section of this report are set forth as follows:

Accounting Systems and Internal Controls

The Coquille School District No. 8's accounting systems are adequate and the accounting records are properly maintained.

Collateral

Based on our tests, at various times during the year and at fiscal year-end, balances on deposit with financial institutions were not completely secured in accordance with the requirements of ORS 295.015. This is due to a PayPal account that the District maintains for selling obsolete equipment via the internet. At the end of the fiscal year, the District had an unsecured balance of \$985 in the PayPal account.

Indebtedness

Based on the results of our tests, the District had not exceeded its legal debt limitation as provided by ORS 328.245. The District was in compliance with all debt covenants and all payments were made on a timely basis.

Budget

We reviewed the preparation, adoption, and execution of the budget for the current year and the preparation and adoption of the budget for the ensuing year.

The resolution authorizing appropriations for each fund sets the legal limit for expenditures. Total instruction, supporting services, interagency/fund transactions, community services, debt service, facilities acquisition and construction and contingency are the levels of control.

Based on the results of our tests, the District was in compliance with Local Budget Law except as follows:

Expenditures exceeded appropriations in the following amounts:

| | |
|---|------------------|
| Debt Service Fund | |
| Debt service | <u>\$ 4,050</u> |
| Capital Projects Fund | |
| Facilities acquisition and construction | <u>\$ 43,175</u> |

Insurance and Fidelity Bonds

The District was in compliance with the legal requirements pertaining to insurance and fidelity bond coverage. We are not competent by training to state whether the insurance policies covering District owned property in force at June 30, 2012, are adequate.

Based on the results of our tests, the District had complied with the provisions of ORS 332.525 regarding the bonding of District personnel.

Investments

Based on the results of our tests, the District was in compliance with legal requirements pertaining to investment of public funds.

Public Contracts and Purchasing

Based on the results of our tests and our review of the minutes, the District appears to be in compliance with the provisions of ORS 279 pertaining to the awarding of public contracts and the construction of public improvements.

Programs Funded from Outside Sources

We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly or partially by other governmental agencies.

The results of our tests indicate, for the items tested, the District complied with the laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies, and, for the items tested, financial reports and related data were in agreement with and supported by the accounting records.

Separate reports have been issued to report on compliance with appropriate laws and regulations pertaining to Federal Financial Assistance.

ADM Formula

Based on the results of our tests, the District is in compliance regarding the legal requirements of ORS 327.013, pertaining to the District's calculation and reporting of factors used to compute the State School Fund Distribution.

Statement of Accountability for Independently Elected Officials

This statement is not applicable to the District.

BUDGET SUMMARY 3211-100 FUND
For Fiscal Year 11/12

| FUNCTION | 1XX | 2XX | 3XX | 4XX | 5XX | 6XX | 7XX | TOTAL |
|----------|--------------|-----|-----|-----|-----|-----|-----|--------------|
| 1110 | 1,706,775.65 | .00 | .00 | .00 | .00 | .00 | .00 | 1,706,775.65 |
| 1500 | 13,141.23 | .00 | .00 | .00 | .00 | .00 | .00 | 13,141.23 |
| 1700 | 10,279.00 | .00 | .00 | .00 | .00 | .00 | .00 | 10,279.00 |
| 1910 | 4,200.00 | .00 | .00 | .00 | .00 | .00 | .00 | 4,200.00 |
| 1920 | 2,000.00 | .00 | .00 | .00 | .00 | .00 | .00 | 2,000.00 |
| 1940 | 68,355.70 | .00 | .00 | .00 | .00 | .00 | .00 | 68,355.70 |
| 1990 | 36,160.76 | .00 | .00 | .00 | .00 | .00 | .00 | 36,160.76 |
| 2101 | 8,953.73 | .00 | .00 | .00 | .00 | .00 | .00 | 8,953.73 |
| 3101 | 5,133,913.91 | .00 | .00 | .00 | .00 | .00 | .00 | 5,133,913.91 |
| 3103 | 70,228.59 | .00 | .00 | .00 | .00 | .00 | .00 | 70,228.59 |
| 4500 | 916.89 | .00 | .00 | .00 | .00 | .00 | .00 | 916.89 |
| 4801 | 8,046.91 | .00 | .00 | .00 | .00 | .00 | .00 | 8,046.91 |
| 5100 | 123,415.00 | .00 | .00 | .00 | .00 | .00 | .00 | 123,415.00 |
| 5400 | 739,886.54 | .00 | .00 | .00 | .00 | .00 | .00 | 739,886.54 |
| TOTAL | 7,926,273.91 | .00 | .00 | .00 | .00 | .00 | .00 | 7,926,273.91 |

FUND RANGE: 100-999

| FUNCTION | 1XX | 2XX | 3XX | 4XX | 5XX | 6XX | 7XX | TOTAL |
|----------|--------------|-----|-----|-----|-----|-----|-----|--------------|
| 1500 | 250.90 | .00 | .00 | .00 | .00 | .00 | .00 | 250.90 |
| 1600 | 74,050.33 | .00 | .00 | .00 | .00 | .00 | .00 | 74,050.33 |
| 1700 | 185,477.70 | .00 | .00 | .00 | .00 | .00 | .00 | 185,477.70 |
| 1920 | 75,693.70 | .00 | .00 | .00 | .00 | .00 | .00 | 75,693.70 |
| 1940 | 431,663.14 | .00 | .00 | .00 | .00 | .00 | .00 | 431,663.14 |
| 1990 | 33,106.65 | .00 | .00 | .00 | .00 | .00 | .00 | 33,106.65 |
| 2200 | 73,063.13 | .00 | .00 | .00 | .00 | .00 | .00 | 73,063.13 |
| 3199 | 3,588.60 | .00 | .00 | .00 | .00 | .00 | .00 | 3,588.60 |
| 4300 | 33,363.57 | .00 | .00 | .00 | .00 | .00 | .00 | 33,363.57 |
| 4500 | 920,240.61 | .00 | .00 | .00 | .00 | .00 | .00 | 920,240.61 |
| 4900 | 19,824.84 | .00 | .00 | .00 | .00 | .00 | .00 | 19,824.84 |
| 5200 | 95,000.00 | .00 | .00 | .00 | .00 | .00 | .00 | 95,000.00 |
| 5400 | 196,744.32 | .00 | .00 | .00 | .00 | .00 | .00 | 196,744.32 |
| TOTAL | 2,142,067.49 | .00 | .00 | .00 | .00 | .00 | .00 | 2,142,067.49 |

BUDGET SUMMARY 3211-300 FUND
For Fiscal Year 11/12

REVENUES

| FUNCTION | 1XX | 2XX | 3XX | 4XX | 5XX | 6XX | 7XX | TOTAL |
|----------|------------|-----------|-----|-----|-----|-----|-----|------------|
| 1110 | 313,583.02 | | | | | | | 313,583.02 |
| 1500 | | 10.27 | | | | | | 10.27 |
| 5400 | | 68,910.68 | | | | | | 68,910.68 |
| TOTAL | 382,503.97 | | | | | | | 382,503.97 |

BUDGET SUMMARY 3211-400 FUND
For Fiscal Year 11/12

| FUNCTION 1990 | 1XX | 2XX | 3XX | 4XX | 5XX | 6XX | 7XX | TOTAL |
|------------------|--------------|-----|-----|-----|-----|-----|-----|--------------|
| | 12.47 | | | | | | | 12.47 |
| 5100 | 1,095,711.00 | | | | | | | 1,095,711.00 |
| 5400 | 43,223.19 | | | | | | | 43,223.19 |
| TOTAL | 1,138,946.66 | | | | | | | 1,138,946.66 |

BUDGET SUMMARY 3211-700 FUND
For Fiscal Year 11/12

REVENUES

| FUNCTION | 1XX | 2XX | 3XX | 4XX | 5XX | 6XX | 7XX | TOTAL |
|----------|-----------|-----|-----|-----|-----|-----|-----|-----------|
| 1500 | 261.28 | | | | | | | 261.28 |
| 5400 | 49,393.91 | | | | | | | 49,393.91 |
| TOTAL | 49,655.19 | | | | | | | 49,655.19 |

EXPENSES

COQUILLE SCHOOL DISTRICT #8
BUDGET SUMMARY 3211-100 FUND
For Fiscal Year 11/12

FUND RANGE: 100-999

| FUNCTION | 1XX | 2XX | 3XX | 4XX | 5XX | 6XX | 7XX | TOTAL |
|----------|--------------|--------------|------------|------------|------------|------------|-----------|--------------|
| 1111 | 699,240.16 | 446,203.90 | 5,126.67 | 17,642.88 | .00 | 50.00 | .00 | 1,168,263.61 |
| 1121 | 440,938.90 | 266,155.57 | 6,615.98 | 13,400.27 | .00 | 150.00 | .00 | 727,260.72 |
| 1122 | 4,016.48 | 805.29 | .00 | 299.00 | .00 | .00 | .00 | 5,120.77 |
| 1131 | 661,287.18 | 393,945.42 | 5,459.17 | 25,745.43 | .00 | 339.00 | .00 | 1,086,776.20 |
| 1132 | 35,537.16 | 10,946.45 | .00 | .00 | .00 | .00 | .00 | 46,483.61 |
| 1210 | 2,978.04 | 819.14 | 4,398.80 | 1,040.10 | .00 | 508.00 | .00 | 9,744.08 |
| 1220 | .00 | .00 | 177,372.65 | .00 | .00 | .00 | .00 | 177,372.65 |
| 1250 | 176,657.87 | 128,745.30 | 910.12 | 830.51 | .00 | .00 | .00 | 307,143.80 |
| 1280 | 198,678.56 | 105,084.55 | 47,994.11 | 16,437.60 | .00 | 1,846.33 | .00 | 370,041.15 |
| 1291 | 30,334.02 | 12,774.23 | 187.69 | 428.25 | .00 | .00 | .00 | 43,724.19 |
| 2110 | 37,348.31 | 29,493.79 | 16,500.00 | .00 | .00 | .00 | .00 | 83,342.10 |
| 2120 | 93,877.00 | 64,231.63 | 13.50 | 808.30 | .00 | .00 | .00 | 158,930.43 |
| 2130 | 934.76 | 797.15 | 146,122.53 | 2,193.90 | .00 | .00 | .00 | 150,048.34 |
| 2140 | 29,100.04 | 14,920.12 | 227.17- | 4,290.79 | .00 | .00 | .00 | 48,083.78 |
| 2150 | .00 | .00 | 94,326.30 | .00 | .00 | .00 | .00 | 94,326.30 |
| 2190 | 37,982.12 | 20,362.46 | .00 | .00 | .00 | .00 | .00 | 58,344.58 |
| 2220 | 30,738.74 | 21,348.07 | .00 | 3,852.11 | .00 | .00 | .00 | 55,938.92 |
| 2310 | 2,815.08 | 1,806.90 | 41,734.47 | 1,222.13 | .00 | 15,253.33 | .00 | 62,831.91 |
| 2320 | 129,963.13 | 66,592.41 | 2,925.52 | 3,381.52 | .00 | 784.00 | .00 | 203,646.58 |
| 2410 | 361,536.92 | 206,415.24 | 7,220.50 | 2,650.56 | 18,937.00 | 2,817.00 | .00 | 599,577.22 |
| 2520 | 153,058.76 | 102,823.44 | 7,506.14 | 5,000.08 | .00 | 6,798.58 | .00 | 275,187.00 |
| 2540 | 216,192.47 | 143,460.64 | 320,317.67 | 44,454.45 | 42,516.58 | 56,437.94 | .00 | 823,379.75 |
| 2550 | 218,421.17 | 134,234.71 | 17,391.97 | 99,271.74 | 104,478.00 | 36,981.74 | .00 | 610,779.33 |
| 2660 | 74,793.41 | 39,668.86 | 38,107.44 | 101,490.11 | .00 | 29.51 | .00 | 254,089.33 |
| 5200 | .00 | .00 | .00 | .00 | .00 | .00 | 95,000.00 | 95,000.00 |
| TOTAL | 3,636,430.28 | 2,211,635.27 | 940,004.06 | 344,439.73 | 165,931.58 | 121,995.43 | 95,000.00 | 7,515,436.35 |

COQUILLE SCHOOL DISTRICT #8
 BUDGET SUMMARY 3211-200 FUND
 For Fiscal Year 11/12

FUND RANGE: 100-999

| FUNCTION | 1XX | 2XX | 3XX | 4XX | 5XX | 6XX | 7XX | TOTAL |
|----------|------------|------------|------------|------------|-----------|-----------|-----|--------------|
| 1111 | 593.04 | 383.53 | .00 | .00 | .00 | .00 | .00 | 976.57 |
| 1113 | .00 | .00 | 703.54 | 7,950.55 | .00 | 1,789.50 | .00 | 10,443.59 |
| 1121 | 18,606.51 | 9,803.37 | 10,891.05 | 8,368.47 | .00 | 2,250.00 | .00 | 49,919.40 |
| 1122 | 23,320.00 | 5,919.71 | 1,196.68 | 33,803.70 | .00 | 6,380.10 | .00 | 70,620.19 |
| 1131 | 240.48 | 163.98 | 1,111.18 | 7,887.71 | .00 | 50.00 | .00 | 9,453.35 |
| 1132 | 41,535.34 | 13,079.67 | 16,274.92 | 121,333.87 | .00 | 43,725.48 | .00 | 235,949.28 |
| 1210 | 677.35 | 402.65 | .00 | .00 | .00 | .00 | .00 | 1,080.00 |
| 1250 | 85,806.30 | 61,204.00 | .00 | .00 | .00 | .00 | .00 | 147,010.30 |
| 1272 | 146,887.43 | 94,153.24 | 283.76 | 2,182.16 | .00 | .00 | .00 | 243,506.59 |
| 1280 | .00 | .00 | 8.37 | 482.73 | .00 | 100.00 | .00 | 591.10 |
| 1299 | 16,808.82 | 14,484.16 | 1,337.79 | 732.80 | .00 | .00 | .00 | 33,363.57 |
| 2120 | .00 | .00 | 12,106.72 | .00 | .00 | .00 | .00 | 12,106.72 |
| 2130 | .00 | .00 | 100.20 | 3,111.50 | .00 | .00 | .00 | 3,211.70 |
| 2140 | 19,399.98 | 9,930.53 | 902.77 | 3,361.14 | .00 | .00 | .00 | 33,594.42 |
| 2190 | 1,110.03 | 558.36 | .00 | .00 | .00 | .00 | .00 | 1,668.39 |
| 2210 | 926.29 | 17,579.19 | 100.50 | 1,908.86 | .00 | .00 | .00 | 20,514.84 |
| 2240 | 9,003.84 | 5,860.05 | 59,393.58 | 1,170.29 | .00 | .00 | .00 | 75,427.76 |
| 2520 | 46,365.45 | 25,802.94 | 32.75 | .00 | .00 | .00 | .00 | 72,201.14 |
| 2540 | .00 | .00 | 17,460.44 | 2,996.29 | 50,163.39 | .00 | .00 | 70,620.12 |
| 2550 | 886.31 | 573.39 | .00 | .00 | .00 | .00 | .00 | 1,459.70 |
| 2660 | 48,714.38 | 30,747.33 | .00 | .00 | .00 | .00 | .00 | 79,461.71 |
| 3000 | .00 | .00 | .00 | .00 | .00 | 750.00 | .00 | 750.00 |
| 3100 | 123,090.35 | 93,448.39 | 512,334.10 | 23,101.06 | .00 | 4,911.80 | .00 | 756,885.70 |
| 3300 | .00 | .00 | .00 | .00 | .00 | 11,474.23 | .00 | 11,474.23 |
| TOTAL | 583,971.90 | 384,094.49 | 634,238.35 | 218,391.13 | 50,163.39 | 71,431.11 | .00 | 1,942,290.37 |

COQUILLE SCHOOL DISTRICT #8

12/20/12

BUDGET SUMMARY 3211-300 FUND
For Fiscal Year 11/12

EXPENSES

FUND RANGE: 100-999

| FUNCTION | 1XX | 2XX | 3XX | 4XX | 5XX | 6XX | 7XX | TOTAL |
|----------|-----|-----|-----|-----|-----|------------|-----|------------|
| 5100 | .00 | .00 | .00 | .00 | .00 | 291,050.00 | .00 | 291,050.00 |
| TOTAL | .00 | .00 | .00 | .00 | .00 | 291,050.00 | .00 | 291,050.00 |

BUDGET SUMMARY 3211-400 FUND
For Fiscal Year 11/12

EXPENSES

| FUNCTION | 1XX | 2XX | 3XX | 4XX | 5XX | 6XX | 7XX | TOTAL |
|----------|----------|----------|-----------|----------|-----------|-----------|-----|------------|
| 2320 | 2,155.84 | 1,046.30 | .00 | .00 | .00 | .00 | .00 | 3,202.14 |
| 2520 | 1,396.94 | 780.11 | .00 | .00 | .00 | 43,743.14 | .00 | 45,920.19 |
| 2540 | 3,879.93 | 2,227.92 | 81,921.40 | 3,058.23 | .00 | 7,589.46 | .00 | 98,676.94 |
| 4150 | .00 | .00 | .00 | .00 | 88,174.74 | .00 | .00 | 88,174.74 |
| TOTAL | 7,432.71 | 4,054.33 | 81,921.40 | 3,058.23 | 88,174.74 | 51,332.60 | .00 | 235,974.01 |

FUND RANGE: 100-999

SUPPLEMENTAL INFORMATION, 2011-2012

School District Business Managers and Auditors:

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

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

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

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

| | Objects 325 & 326 | |
|---------------|-------------------|---------|
| Function 2540 | \$ | 200,210 |
| Function 2550 | \$ | 6,045 |

B. Replacement of Equipment - General Fund:

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

| | |
|----|---|
| \$ | - |
|----|---|

Exclude these functions:

1113, 1122 & 1132 Co-curricular Activities
 1140 Pre-Kindergarten
 1300 Continuing Education
 1400 Summer School

Exclude these functions:

4150 Construction
 2550 Pupil Transportation
 3100 Food Service
 3300 Community Services



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

December 28, 2012

To the Board of Directors of Coquille School District No. 8:

Compliance

We have audited Coquille School District No. 8's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. Coquille School District No. 8's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Coquille School District No. 8's management. Our responsibility is to express an opinion on Coquille School District No. 8's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Coquille School District No. 8's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Coquille School District No. 8's compliance with those requirements.

In our opinion, the Coquille School District No. 8 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

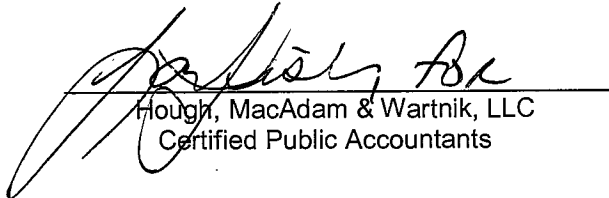
The management of Coquille School District No. 8 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Coquille School District No. 8's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses, therefore there can be no assurance that all significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Coquille School District No. 8's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the District's compliance but not to provide an opinion on the effectiveness of their internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's compliance with requirements and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of management; the Board of Directors, the State of Oregon, Secretary of State, Division of Audits; and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Hough, MacAdam & Wartnik, LLC
Certified Public Accountants

**COOS COUNTY SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012**

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

| | | |
|--|------------------------|---------------------------|
| Type of auditor's report issued | <u> X </u> Qualified | <u> </u> Unqualified |
| Internal control of financial reporting: | | |
| Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | <u> </u> Yes | <u> X </u> No |
| Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards:

| | | |
|---|-------------------------|----------------------------|
| Internal control over major programs: | | |
| Any material weaknesses identified? | <u> </u> Yes | <u> X </u> No |
| Any significant deficiencies identified not considered to be material weaknesses? | <u> </u> Yes | <u> X </u> None reported |
| Type of auditor's report issued on compliance for major programs | <u> </u> Qualified | <u> X </u> Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? | <u> </u> Yes | <u> X </u> No |

Identification of major programs:

| | | |
|---|-------------------|------------------------|
| Title I Grants to Local Educational Agencies | CFDA# | 84.010 |
| National School Lunch Cluster: | | |
| National School Breakfast | CFDA# | 10.553 |
| National School Lunch | CFDA# | 10.555 |
| Child and Adult Food Care Program | CFDA# | 10.558 |
| Dollar threshold used to distinguish between type A and type B programs | | <u> \$ 300,000 </u> |
| Auditee qualified as low-risk auditee? | <u> </u> Yes | <u> X </u> No |

SECTION II FINDINGS - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

COQUILLE SCHOOL DISTRICT NO. 8
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2012

U.S. Department of Education, passed through the State of Oregon Department of Education

FINDING - 2010-1: ARRA Title I grant, CFDA # 84.389, year ending 6/30/10

Condition: This finding was a material weakness because wages were charged to the grant for time that was not related to the grant.

Recommendation: The auditor recommended the District assign an individual to monitor federal grant payroll expenditures for grant compliance. Management agreed with the finding and an individual was assigned to monitor federal grant payroll expenditure compliance.

Current Status: Corrective action has been taken.

COQUILLE SCHOOL DISTRICT NO. 8
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

| Federal Grantor/Program Title | <u>Federal CFDA Number</u> | <u>2011-12 Modified Accrual Federal Expenditures</u> |
|--|------------------------------------|--|
| <u>U.S. Department of Education</u> | | |
| Direct federal awards | | |
| Indian Education Act Title IV, Part A | 84.060 | \$ <u>33,364</u> |
| Passed through State of Oregon | | |
| Department of Education: | | |
| Title I Grants to Local Educational Agencies | ** 84.010 | 243,507 |
| Applied Academics and Research Development Project | 84.048 | 2,995 |
| Title II A Class Size Reduction | 84.367 | 162,907 |
| IDEA Part B | 84.027 | 74,528 |
| AARA - Education Jobs Act | 84.410 | 917 |
| ARRA - Title X - Homeless Children & Youth | 84.387 | <u>1,456</u> |
| Total State of Oregon Department of Education | | <u>486,310</u> |
| Total U.S. Department of Education | | <u>519,674</u> |
| <u>U.S. Department of Agriculture</u> | | |
| Passed through State of Oregon | | |
| Department of Education: | | |
| National School Lunch Program | ** 10.555 | 174,362 |
| National School Lunch Program -Commodities | ** 10.555 | 19,825 |
| School Breakfast Program | ** 10.553 | <u>94,318</u> |
| | | 288,505 |
| Child and Adult Food Care Program | ** 10.558 | <u>169,118</u> |
| Total State of Oregon Department of Education | | 457,623 |
| Passed through Coos County: | | |
| Schools and Roads - Grants to States | 10.665 | <u>8,047</u> |
| Total U.S. Department of Agriculture | | <u>465,670</u> |
| Total Federal Expenditures | | <u>\$ <u>985,344</u></u> |

** Major Program

COQUILLE SCHOOL DISTRICT NO. 8
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Coquille School District No. 8 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.