

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016



12700 SW 72nd Ave.
Tigard, OR 97223

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

2015-2016 FINANCIAL REPORT

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12

Clackamas County, Oregon

PRINCIPAL OFFICIALS

| <u>BOARD OF DIRECTORS</u> | <u>TERM EXPIRES</u> |
|---------------------------|---------------------|
| Tory McVay - Chair | June 30, 2017 |
| Rein Vaga – Vice Chair | June 30, 2019 |
| Lee Merrick - Director | June 30, 2019 |
| Trisha Claxton, Director | June 30, 2019 |
| Vivian Scott, Director | June 30, 2017 |
| Steven Schroedl, Director | June 30, 2019 |

The Board of Directors receives mail at the address below:

DISTRICT ADMINISTRATION

**Matt Utterback, Superintendent - Clerk
Mary Knigge, Chief Financial Officer**

**DISTRICT ADDRESS
12400 SE Freeman Way
Milwaukie, Oregon 97222**

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12

TABLE OF CONTENTS

| | <u>PAGE NUMBER</u> |
|--|------------------------|
| INTRODUCTORY SECTION: | |
| Letter of Transmittal (other information) | i-vi |
| FINANCIAL SECTION: | |
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 |
| FINANCIAL STATEMENTS AND SCHEDULES: | |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 12 |
| Statement of Activities | 13 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Governmental Funds | 15 |
| Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position | 16 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities | 17 |
| Statement of Net Position – Internal Service Fund | 18 |
| Statement of Revenues, Expenses and Changes in Net Position – Internal Service Fund | 19 |
| Statement of Cash Flows – Internal Service Fund | 20 |
| Fiduciary Funds: | |
| Statement of Fiduciary Net Position – Fiduciary Funds | 21 |
| Notes to Basic Financial Statements | 22 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Schedule of Funding Progress and Schedule of Employer Contributions | 46 |
| Schedule of the Proportionate Share of the Net Pension Liability and Contributions | 47 |
| Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget: | |
| General Fund | 48 |
| Special Revenue Funds | 51 |
| Other Funds | 52 |
| Community Service Fund | 53 |

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12

TABLE OF CONTENTS (CONTINUED)

| | <u>PAGE NUMBER</u> |
|---|------------------------|
| SUPPLEMENTARY INFORMATION: | |
| Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget: | |
| Debt Service Fund | 54 |
| Capital Projects Fund | 55 |
| Self – Insurance Fund | 56 |
| Statement of Changes in Assets and Liabilities – Agency Fund | 57 |
| Other Financial Schedules: | |
| Schedule of Property Tax Transactions | 58 |
| INDEPENDENT AUDITORS’ REPORT REQUIRED BY OREGON STATE REGULATIONS | 59 |
| GRANT COMPLIANCE REVIEW: | |
| Schedule of Expenditures of Federal Awards (supplementary information) | 61 |
| Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 62 |
| Independent Auditors’ Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance | 64 |
| Schedule of Audit Findings and Questioned Costs | 66 |
| OTHER INFORMATION: | |
| Future Maturities of Long Term Debt | 68 |
| Statistical Section: | |
| Net Position by Component – Last Ten Fiscal Years | 69 |
| Fund Balances, Governmental Funds – Last Ten Fiscal Years | 71 |
| Taxable Property Values – Last Ten Fiscal Years | 73 |
| Largest Taxpayers Within District – Current and Nine Years Ago | 74 |
| Property Tax Rates – Direct and Overlapping Governments – Last Five Years | 75 |
| Property Tax Levies and Collection – Last Ten Years | 76 |
| General Bonded Debt Outstanding – Last Ten Fiscal Years | 77 |
| Direct and Overlapping Gross Bonded Debt – June 30, 2016 | 78 |
| Operating Statistics – Last Ten Fiscal Years | 79 |

December 23, 2016

North Clackamas School District No.12
Board of Directors
12400 SE Freeman Way
Milwaukie, Oregon 97222

Oregon Municipal Audit Law requires that an independent audit be made of all District funds within six months following the close of the fiscal year. Pursuant to this requirement, the annual financial report of the North Clackamas School District (the District) for the fiscal year ended June 30, 2016, is hereby submitted. This report was prepared by the District's Fiscal Services Department. The responsibility for the completeness, fairness, and accuracy of the data presented and all accompanying disclosures rests with the District. To provide a reasonable basis for making these representations, the District's management has established a comprehensive internal control framework that is designed both to protect assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

REPORT CONTENTS

The Comprehensive Annual Financial Report is presented in four sections. These sections and their components are as follows:

- The **Introductory Section** includes this Letter of Transmittal.
- The **Financial Section** includes the independent auditor's report, management's discussion and analysis, basic financial statements for the entity as a whole, notes to the basic financial statements, required supplementary information and other supplementary information.
- Following the **Financial Section** is the **Independent Auditors' Report** required by Oregon State Regulations.
- The **Grant Compliance Review** contains reports required by the Single Audit Act.
- Finally, the **Other Information** contains schedules showing the future maturities of long-term debt, as well as the statistical section.

MANAGEMENT’S DISCUSSION AND ANALYSIS

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District’s MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE DISTRICT

The North Clackamas School District is a kindergarten through twelfth grade district serving approximately 17,275 students. The District is a financially independent, special-purpose municipal corporation exercising financial accountability for all public education within its boundaries. As required by accounting principles generally accepted in the United States of America, all significant activities and organizations have been included in the financial statements.

The District is located in Clackamas County and is located approximately 12 miles southeast of Portland, Oregon along Interstate 205. The District covers approximately 40 square miles in Northern Clackamas County and encompasses the cities of Milwaukie, Happy Valley, Johnson City, and part of Damascus as well as unincorporated neighborhoods of Oak Grove, Concord, Clackamas, Sunnyside, Mount Scott, Southgate and Carver. It is the fifth largest school district in Oregon. The North Clackamas School District, elected by a majority of the voting electorate, is the governing body responsible for the District's public decisions. The seven-member Board has the oversight, responsibility and control over all activities related to the District.

ECONOMIC CONDITION AND OUTLOOK

The State of Oregon, trailing the developments affecting the national economy, is now in a weakened but improving economic position with slowly moderating unemployment, gradual unfreezing of business credit, improvement in the national housing market, and other encouraging economic indicators.

Clackamas County had passed through the end of the decade of steady growth in population and development as the recession of 2008-09 took hold. Clackamas Town Center, the largest shopping center in Oregon, with 1.2 million square feet of space, has 185 stores, is fully leased and in the process of expanding. Major commercial business centers are located in the Clackamas Town Center and along McLoughlin Boulevard. Industrial sites include the Clackamas Industrial area along Highway 212, with roughly 500 businesses, and the Milwaukie Industrial area along Highway 224, with 300 businesses. Community business centers are located in Milwaukie, Gladstone and Damascus. Recently completed within the district boundaries is a neo-traditional development called Sunnyside Village, which will comprise 2,000 dwellings and a shopping mall.

Manufacturing employment represents approximately 16 percent of the total wage and salary employment. Non-manufacturing employment represents approximately 84 percent of the total wage and salary employment. The unemployment rate for the area is 5.0 percent (June 2016, Bureau of Labor Statistics Data), up from 4.8 percent a year ago and similar to the national average. The major taxpayers within the North Clackamas School District include Shorenstein Properties (Real Estate), General Growth Properties Inc. (Town Center Mall), Clackamas Baking

Plant (Bakery), PCC Structural Inc. (Manufacturing/Aerospace), Xerox Corporation (Telecommunications/Image Solutions) Blount Inc. (Chainsaws, Machinery), Mentor Graphics (Graphic Design) and Kaiser Foundation Hospital (Hospital).

A variety of transportation alternatives are available in this area. Tri-Met service is available to Portland and the metropolitan area. Transfer stations are located in downtown Milwaukie and Clackamas Town Center. Portland International Airport offers easy access to domestic and international markets with 17 scheduled passenger airlines, 14 cargo carriers, 39 cities and 12 countries serve the Portland Metropolitan area. First morning service is provided as far north as Vancouver B.C. and Los Angeles is less than two days south. The Southern Pacific Mainline runs through the Clackamas and Milwaukie Industrial areas. Two other transcontinental railroads serving Portland include Burlington Northern and Union Pacific. Amtrak provides passenger service. The Port of Portland has five Marine terminals, four dry docks and excellent ship repair facilities. Container handling and dockside rail service are readily available. An extensive rail, air, barge and highway transportation network serves the harbor. I-205 is a circumferential freeway bypassing downtown Portland. It connects with I-5 and I-84 for destinations north, south and east. The I-205 beltline serves about 100,000 vehicles daily. Highway 212 connects North Clackamas to U.S. Highway 26 and serves the Mount Hood corridor and Central Oregon. Highway 99E connects the North Clackamas area to the Willamette Valley, Salem and Eugene.

MAJOR INITIATIVES

The School Board, for the 2015-16 school year, approved the following goals:

1. Student Achievement: Each student will meet or exceed grade level standards and graduate.
2. Equity: Create inclusive learning environments for each student.
3. Resources and Quality Programs: Improve financial stability, leverage assets, and expand efficiencies throughout the system.

FINANCIAL INFORMATION

Management of the District is responsible for establishing and maintaining an internal control structure designed to protect the assets of the District from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

1. The cost of the control should not exceed the benefits likely to be derived, and
2. The valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal, state, and county financial assistance, the District is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs.

This internal control structure is subject to periodic evaluation by management and the internal audit staff of the District. As part of the District's single audit tests have been made to determine

the adequacy of the internal control structure, including that portion related to federal financial award programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the fiscal year ended June 30, 2016, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary Controls. In addition, the District maintains budgetary controls. The objective of such budgetary control is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District's Board of Directors. Activities of the General Fund, Special Revenue Funds, Debt Service Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Capital Project Funds are included in the annual appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund. As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

The District is required by the State of Oregon to adopt an annual budget for all funds subject to the requirements of Local Budget Law as outlined in the Oregon Revised Statutes 294.305 through 294.520, inclusive. The budget for each individual fund is a plan for the financial operation to be conducted during the coming fiscal year and is adopted annually, prior to July 1, by the Board of Education. After adoption, the budget may be revised through procedures specified in State statute and Board policy.

Oregon Local Budget law requires the appointment of a Budget Committee to review and approve the budget. The Budget Committee consists of the seven members of the Board of Directors and seven members appointed by the Board. The administration proposes a budget to the Budget Committee, which the Budget Committee may revise or approve. A summary of the approved budget, together with a notice of public hearing, is published in a newspaper with general circulation in the District. A public hearing is held to receive comments concerning the approved budget. The Board of Directors adopts the budget, makes appropriations, and levies taxes after the public hearing and before the beginning of the year for which the budget has been prepared.

Fund Summary. The results of operations and other financial data for the year ended June 30, 2016, are presented by the following non-governmental individual funds. Governmental funds are discussed in more detail in the Management's Discussion and Analysis section.

The financial statements for the non-governmental funds reflect the financial activity of the Internal Service Fund (self-insurance fund) and the Fiduciary Fund (student activity funds).

Internal Service Fund

This fund accounts for costs incurred for employees' general health insurance, workers compensation, property and liability claims. Principal revenue sources are charges to other funds for service and earnings on investments. The fund balance at June 30, 2016, was \$7,985,226.

Fiduciary Fund

This fund accounts for the collection and distribution of monies for student clubs and activities at the District's schools. The amount held for student groups at June 30, 2016, was \$2,005,396.

Cash Management: Throughout the year, cash not required for current operations was invested in the State of Oregon Local Government Investment Pool, U.S. Treasury securities, demand deposits, time certificates of deposit, bankers' acceptances, and commercial paper. All investments were in accordance with the District's Fiscal Management Policies. Interest income on pooled cash and investments recorded in the General Fund is allocated to the various funds based upon their monthly interfund balances. The District conforms to the State requirement that amounts on deposit with financial institutions be collateralized with securities having a value of not less than 25 percent of amounts in excess of depository insurance coverage. Interest earnings for the past three fiscal years decreased due to low interest rates on investments.

Risk Management: The District's insurance program includes auto, property, and commercial general liability insurance coverage. The program also includes a self-insured retention of \$50,000 per occurrence for all major exposures. In addition, the District successfully maintains a self-insured Workers' Compensation program. The liability limits for this program are \$300,000 per occurrence with a \$90,000 per claim stop loss provision to further limit exposures.

Since 1989 the District has implemented a modified return-to-work program. The program concentrates on returning injured workers to modified or light duty work until they are able to return to their own positions. The program has significantly reduced time loss claims and helps get the employee back into the work environment.

Long-term Financial Planning: In January 2014, the Board of Directors readopted Policy **DBDB Fund Balance**, which directs the superintendent or designee to ensure a minimum fund balance of five (5) percent of total adopted revenues. The District's unassigned fund balance in the General Fund is \$21,358,910, well above the minimum targeted level of 5 percent.

INDEPENDENT AUDIT

As required by Oregon revised Statutes, sections 297.405 to 297.555 (known as the "Municipal Audit Law") an annual audit by independent certified public accountants has been performed. Pauly, Rogers, and Co., P.C. a firm of licensed certified public accountants, has audited the North Clackamas School District's financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's basic financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report. The independent audit of the District's basic financial statements were part of the broader federally mandated "Single Audit" designed to meet the special requirements of federal grantor agencies. The standards

governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section of this report.

ACKNOWLEDGEMENTS

We wish to express our appreciation to the entire Fiscal Services staff for their efforts and contributions to this annual financial report. We would also like to thank the members of the Board of Directors for their continued support and dedication to the effective financial operation of the District.

Respectfully submitted,

A handwritten signature in black ink that reads "Mary Knigge". The signature is written in a cursive, flowing style.

Mary Knigge,
Chief Financial Officer



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December 20, 2016

To the Board of Directors
North Clackamas School District No. 12
Clackamas County, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Clackamas School District, Clackamas County, Oregon, as of and for the year ended June 30, 2016, and the related notes to the financials which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the North Clackamas School District, Clackamas County, Oregon, at June 30, 2016 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ended June 30, 2016. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis, as listed in the table of contents, 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 Management's Discussion and Analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Clackamas School District's basic financial statements. The supplementary and other information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financials statements, and accordingly, we do not express an opinion or provide any assurance on it.

Reports on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2016 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 20, 2016, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink, appearing to read "Ken Allen". The signature is fluid and cursive, with a large initial "K" and "A".

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

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

As management of the North Clackamas School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Transmittal Letter, which can be found on pages i - vi of this report.

NEW ACCOUNTING STANDARDS IMPLEMENTED

GASB 72 was implemented in fiscal year 15-16 requiring certain investments to be recorded at their "fair value". The District holds investments in the Local Government Investment Pool (LGIP) which must be reported at "fair value". However, the value of the LGIP has held close to cash value requiring no adjustment. In the future, theoretically, it would be possible for an adjustment to be required if the pool sustained a substantial gain or loss. At this time, this is not the case.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2016, by \$11,247,010 (net position).
- The District's total net position decreased \$13,233,675 for the fiscal year. A 54% percent decline in the District's financial position as compared to the prior year.
- The District has \$321,947,988 invested in capital assets, net of depreciation.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$21,358,910 or about 13.6 percent of total general fund expenditures.
- Total cost of all the District's programs was \$221,259,000 for the fiscal year, an increase of \$10,459,616 (4.7 percent) from the prior year.
- The District's total outstanding long-term debt (bonds payable, contracts payable, notes payable, accrued compensated absences, other post-employment benefits, net pension obligation, stipend) decreased by \$22,124,613 during the 2015-16 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the basic financial statements of the District. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

- 1) **Government-wide Financial Statements:** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements include:

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

The Statement of Net Position: The *Statement of Net Position* focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of what the District owns (assets plus deferred outflows), what it owes (liabilities plus deferred inflows), and the net difference (net position).

Net position may be further separated into amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities: The *Statement of Activities* presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District's activities are shown in one category:

Governmental activities: The District's basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, and facilities acquisition and construction. These activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues.

- 2) **Fund financial statements:** The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The North Clackamas School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental funds: The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Activities.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

The District maintains several individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Special Revenue, Trust/Agency, Debt Service, Community Services and Capital Projects Funds, all of which are considered to be major funds.

Proprietary funds: The District maintains one proprietary fund type (internal service fund). The internal service fund is an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for insurance claims and premiums. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is the same as that used for proprietary funds. The District maintains a fiduciary fund for the combined Student Activity Funds.

- 3) **Notes to the basic financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are considered to be an integral part of the financial statements.
- 4) **Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* including budget to actual presentations for major funds and a schedule of property tax transactions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$11,247,010 at June 30, 2016.

Cash and investments represent 11 percent of total assets.

Capital assets, which consist of the District's land, buildings, building improvements, construction-in-progress, vehicles, and equipment, represent about 85.1 percent of total assets.

The remaining assets consist mainly of property tax and other receivables and prepaid assets.

The District reports deferred outflows of \$39,712,838, which represent the deferred book loss that occurred as a result of the 2015 refunding of previously issued GO Bonds, as well as deferred items related to the District's pension plan. The deferred loss will be amortized over the life of the bonds and the deferred pension items are calculated as part of the PERS actuarial valuation.

The District's largest liability (84 percent) is for the repayment of general obligation and limited tax pension obligation bonds. Other liabilities, representing 16 percent of the District's total liabilities, consist almost entirely of payables on accounts, notes, and accrued salaries and benefits.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

The District reports Deferred Inflows related to pensions of \$6,855,574. Pension deferrals are reported as a result of the District adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and are representative of adjustments to estimates made in the most recent actuarial valuation for the pension plan.

The majority of the District's net position reflects its investment in capital assets (e.g. land, buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students and other District residents; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

| | Net Position (in thousands) | | |
|---------------------------|---------------------------------------|--------------------|--------------------------------------|
| | <u>Governmental Activities</u> | | Increase (Decrease) |
| | <u>2016</u> | <u>2015</u> | From Previous Fiscal Year |
| Current and Other Assets | \$ 56,493 | \$ 56,651 | (158) |
| Net Pension Asset | 0 | 12,450 | (12,450) |
| Capital Assets, Net | 321,948 | 328,375 | <u>(6,427)</u> |
| Total Assets | <u>378,441</u> | <u>397,466</u> | (19,025) |
| Deferred outflows | <u>39,713</u> | <u>35,334</u> | 4,379 |
| Long-term Debt | 357,503 | 348,574 | 8,929 |
| Other Liabilities | <u>42,548</u> | <u>42,499</u> | <u>49</u> |
| Total Liabilities | <u>400,051</u> | <u>391,073</u> | 8,978 |
| Deferred inflows | <u>6,855</u> | <u>17,247</u> | <u>(10,392)</u> |
| Net Position | | | |
| Net Investment in Capital | 62,543 | 51,288 | 11,255 |
| Restricted | 8,321 | 8,634 | (313) |
| Unrestricted | (59,617) | (35,442) | (24,175) |
| Total net position | 11,247 | \$ 24,480 | (13,233) |

During the current fiscal year, the District's overall financial condition changed as indicated by a decrease of \$13.2 million in net position. Unrestricted net position decreased by 24.2 million. At the same time, the District's investment in capital assets, net of related debt, decreased by \$6.4 million.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

Governmental activities: The key elements of the change in the District's net position for the year ended June 30, 2016 are as follows:

| | <u>Changes in Net Position (in thousands)</u> | | <u>Increase (Decrease) From Previous Fiscal Year</u> |
|-------------------------------|---|-------------------|--|
| | <u>Governmental Activities</u> | | |
| | <u>2016</u> | <u>2015</u> | |
| Revenues | | | |
| Program revenues | | | |
| Charges for services | \$ 4,211 | \$ 4,398 | \$ (187) |
| Operating grants | 11,477 | 13,151 | (1,674) |
| General revenues | | | |
| Property taxes | 86,403 | 76,912 | 9,491 |
| State school fund | 108,841 | 104,259 | 4,582 |
| Miscellaneous | 3,130 | 2,826 | 304 |
| Total revenues | <u>\$ 214,062</u> | <u>\$ 201,546</u> | <u>\$ 12,516</u> |
| Expenses | | | |
| Instruction | \$ 120,335 | \$ 88,537 | \$ 31,798 |
| Support services | 80,169 | 60,239 | 19,930 |
| Community services | 8,935 | 6,980 | 1,955 |
| Interest on long term debt | 17,858 | 16,980 | 878 |
| Total expenses | <u>227,296</u> | <u>172,736</u> | <u>54,561</u> |
| Change in net position | (13,234) | 28,810 | (42,044) |
| Beginning net position | 24,481 | (4,330) | 28,811 |
| Ending net position | <u>\$ 11,247</u> | <u>\$ 24,480</u> | <u>\$ (13,233)</u> |

- Property tax revenues increased by \$9.491 million. Taxes were levied appropriately to collect the permanent tax rate and funds to pay general obligation bonded debt.
- State School Fund (SSF) revenues increased by \$4.55 million.
- Instruction expenses increased by \$31.8 million.
- Support services expenses increased by \$19.9 million.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At June 30, 2016, the District's governmental funds reported combined ending fund balances of \$30.46 million, an increase of \$3.68 million, in comparison with the prior year. This increase is related to additional State School Funding combined with moderate spending. Approximately \$21.36 million of the ending fund balance constitutes *unassigned fund balance*, which is available for spending at the government's discretion. 29 percent of fund balance, or \$9.1 million, is restricted for capital projects, grant purposes, and debt repayment, as authorized by voters and grantors.

General Fund: The General Fund is the chief operating fund of the District. As of June 30, 2016, unassigned fund balance was \$21.36 million. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 13.6 percent of total General Fund expenditures. The fund balance increased by nearly \$4 million during the current fiscal year. This increase is due to additional State School Funding combined with moderate spending.

Debt Service Fund: The Debt Service Fund has a total fund balance of \$3.06 million, all of which is restricted for the payment of debt service.

Capital Projects Fund: The Capital Projects Fund has a total fund balance of \$4.3 million. The fund balance decreased by \$1.9 million during the current fiscal year, due to construction.

Special Revenue Funds: The Special Revenue Funds account for revenues and expenditures for grants that are restricted for specific educational projects. Principal revenue sources are federal, state, and intermediate grants. Total fund balances were \$.963 million

Community Services Fund: The Community Services Fund accounts for the revenue and expense of the District's community activities (drivers' education, adult education, daycare, etc.). The fund balance at June 30, 2016, was \$.70 million.

Trust and Agency Fund: The Trust and Agency funds accounts for revenues and expenditures related to Charter Schools, an Education Foundation and Scholarship donations. The fund balance at June 30, 2016, was \$86,934.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. During the year, the District's investment in capital assets decreased by approximately \$7.8 million mainly due to depreciation. Minimal equipment purchases were made.

The changes in capital assets from the fiscal year ended June 30, 2016, are as follows:

| | Governmental Capital Assets July 1, 2015 | Adjustments | Additions | Deletions | Governmental Capital Assets June 30, 2016 |
|-----------------------------------|--|-------------|--------------|-----------|---|
| Land and Improvements | 39,993,097 | -- | 1,974,080 | -- | 41,967,177 |
| Buildings and Improve. | 366,917,869 | | 2,910,171 | -- | 369,828,040 |
| Vehicles & Equipment | 28,001,077 | -- | 176,344 | -- | 28,177,422 |
| Total Capital Assets | 434,912,043 | | 5,060,596 | | 439,972,639 |
| Total Accumulated Depreciation | (106,536,792) | | (11,487,859) | | (118,024,651) |
| Total Net Capital Assets | <u>328,375,252</u> | | | | <u>321,947,988</u> |

Long-term debt: At the end of the current fiscal year, the District had total long-term debt outstanding of \$357.5 million, consisting of general obligation and pension obligation debt, contracts and notes payable, compensated absences, and other post-employment benefits.

In October 2002 and April 2003, the District issued \$113,978,012 of limited tax pension obligation bonds to finance its unfunded actuarially accrued liability with the State of Oregon Public Employees Retirement System (PERS). The issuance of the bonds was considered an advance refunding of the District's unfunded actuarial liability and resulted in an estimated present value savings of approximately \$29.3 million over the life of the bonds.

In March 2007, the District issued \$229.6 million in general obligation bonds, the largest school bond issuance in Oregon history. The bonds have funded a variety of projects including land purchases, the addition of four new schools, the building of two replacement schools and a variety of renovation and improvement projects.

In December of 2014, the District issued \$170,380,000 in government obligation bonds for the purpose of refunding a portion of its government obligation bonds issued in 2007.

In May of 2016, the District issued \$23,085,000 in General Obligation Refunding Bonds, Series 2016 (the "Bonds"). The Bonds were issued to refinance certain outstanding General Obligations Bonds, Series 2007A that financed capital projects, and to pay the costs of issuance associated with the bond issuance.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

State statutes limit the amount of general obligation debt a school district may issue to 7.95 percent of its total real market value. With a real market value of over \$11.28 billion the current debt margin for the District is nearly \$900 million, which is significantly in excess of the District's outstanding general obligation debt.

During the current fiscal year, shown in the following table, the Districts' total debt was decreased by \$19.6 million. The decrease was the result of continued principal payments on both General Obligation and Pension Bonds.

Outstanding Bonded Debt (in thousands)

| | <u>Governmental Activities</u> | | Increase (Decrease) |
|--------------------------|---------------------------------------|--------------------|------------------------------------|
| | <u>2016</u> | <u>2015</u> | from <u>Fiscal 2015</u> |
| General Obligation Bonds | \$222,840 | \$241,195 | (18,355) |
| Pension Obligation Bonds | 83,549 | 86,263 | (2,714) |
| Unamortized Premium | 28,000 | 26,576 | 1,424 |
| Total Bonded Debt | <u>\$334,389</u> | <u>\$ 354,034</u> | <u>(19,645)</u> |

In November 2015 Standard & Poor's Rating Services raised the District's rating for general obligation debt from "A" to "A+" and changed the outlook to stable from positive. Moody's Investors Service has assigned an underlying Aa2 rating to the District.

Additional information on the District's long-term debt can be found in Note 11 in the Notes to Basic Financial statements section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor for the District is the State of Oregon's State School Fund. For the year ended June 30, 2016, the State School Fund – General Support provided over 60 percent of the District's General Fund program resources. State provided funding for K-12 education for the 2017-19 biennium is unknown at this time. However, the Governor's proposed budget includes 8.015B for K-12 education including an amount to fund Career & Technical Education as passed by the voters. PERS costs continue to increase and will add a significant strain on the 2017-18 District budget.

As the state and national economy rebound the District's enrollment will rebound and begin to grow. The State formula is structured to give districts with declining enrollment a year of grace—they are funded at the highest of the past or current years weighted enrollment. Enrollment has been relatively flat the past few years. The District is projected to see moderate increases due to the recovering economy.

The District has completed a strategic planning process that will more closely link budgeting efforts to action plan goals. This will be extremely important as the District tries to optimize limited resources.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

The District's Budget Committee and School Board will consider all of these factors when preparing the District budget for the 2017-18 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer at 12400 SE Freeman Way, Milwaukie, OR 97222.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2016

| | |
|---|---------------|
| ASSETS | |
| Cash and cash equivalents | \$ 41,555,981 |
| Property taxes and other receivables | 14,936,616 |
| Capital assets, net of depreciation | 321,947,988 |
| Total Assets | 378,440,585 |
| DEFERRED OUTFLOWS: | |
| Deferred loss on bond refunding | 34,795,507 |
| Pension Deferrals | 4,917,331 |
| Total Deferred Outflows | 39,712,838 |
| LIABILITIES: | |
| Accounts payable | 1,156,568 |
| Accrued payroll, taxes, and employee withholdings | 6,836,156 |
| Estimated claims liability | 4,724,433 |
| Interest payable | 1,489,995 |
| Unearned Revenue | 340,615 |
| Premium | 27,999,897 |
| Noncurrent liabilities | |
| Due within one year: | |
| PERS GO Bonds, current portion | 2,735,549 |
| GO Bonds, current portion | 19,430,000 |
| Contracts Payable, current portion | 15,488 |
| Notes Payable, current portion | 3,692,834 |
| Accrued Compensated Absences | 549,412 |
| Due in more than one year: | |
| Proportionate Share of Net Pension Liability | 31,054,190 |
| PERS GO Bonds | 80,813,791 |
| GO Bonds | 203,409,999 |
| Contracts Payable | 46,462 |
| Notes Payable | 4,810,132 |
| Other Post Retirement Benefits, Implicit Rate Subsidy | 9,900,975 |
| Net Pension Obligation, Stipend Benefit | 1,044,343 |
| Total Liabilities | 400,050,839 |
| DEFERRED INFLOWS: | |
| Pension Deferrals | 6,855,574 |
| NET POSITION: | |
| Net Investment in Capital Assets | 62,543,176 |
| Restricted for: | |
| Future Capital Projects | 4,299,161 |
| Special Grants and Services | 963,242 |
| Debt Services | 3,058,334 |
| Unrestricted | (59,616,903) |
| Total Net Position | \$ 11,247,010 |

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

| FUNCTIONS | EXPENSES | FUNCTION REVENUES | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION |
|--|-----------------------|-------------------------|--|--|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | |
| Instruction | \$ 120,334,860 | \$ 41,770 | \$ 5,004,032 | \$ (115,289,058) |
| Support Services | 80,168,806 | 416,146 | 2,599,750 | (77,152,910) |
| Community Services | 8,934,749 | 3,753,467 | 3,873,075 | (1,308,207) |
| Interest on Long-Term Debt | 17,857,584 | - | - | (17,857,584) |
| Total Governmental Activities | \$ 227,295,999 | \$ 4,211,383 | \$ 11,476,857 | (211,607,759) |
| General Revenues | | | | |
| Taxes: | | | | |
| Property Taxes | | | | 86,403,267 |
| State and Local Revenue | | | | 108,840,908 |
| Grants and Contributions Not Restricted to Specific Programs | | | | 97,719 |
| Interest and Investment Earnings | | | | 447,228 |
| Miscellaneous | | | | 2,584,962 |
| Total General Revenues | | | | 198,374,084 |
| Changes in Net Position | | | | (13,233,675) |
| Net Position - Beginning | | | | 24,480,685 |
| Net Position - Ending | | | | \$ 11,247,010 |

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

FUND FINANCIAL STATEMENTS

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

| | GENERAL FUND | CAPITAL PROJECTS | DEBT SERVICE FUND |
|--|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS: | | | |
| Cash and cash equivalents | \$ 10,177,672 | \$ 2,064,905 | \$ 18,883,541 |
| Property taxes and other receivables | 6,027,808 | 103,069 | 1,715,563 |
| Due from other funds | <u>15,830,309</u> | <u>2,493,491</u> | <u>-</u> |
| Total Assets | <u>\$ 32,035,789</u> | <u>\$ 4,661,465</u> | <u>\$ 20,599,104</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES: | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 520,244 | \$ 360,230 | \$ - |
| Accrued payroll, taxes, and employee withholdings | 6,758,904 | 2,074 | - |
| Due to other funds | - | - | 15,924,580 |
| Unearned Revenue | <u>28,875</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>7,308,023</u> | <u>362,304</u> | <u>15,924,580</u> |
| Deferred Inflows: | | | |
| Unavailable Revenue - Property Taxes | <u>3,368,856</u> | <u>-</u> | <u>1,616,190</u> |
| Total Liabilities | <u>3,368,856</u> | <u>-</u> | <u>1,616,190</u> |
| Fund Balances (Deficit): | | | |
| Restricted for - | | | |
| Future Capital Projects | - | 4,299,161 | - |
| Special Grants and Services | - | - | - |
| Debt Service | - | - | 3,058,334 |
| Committed for - | | | |
| Community Projects and Classes | - | - | - |
| Unassigned | <u>21,358,910</u> | <u>-</u> | <u>-</u> |
| Total Fund Balances (Deficit) | <u>21,358,910</u> | <u>4,299,161</u> | <u>3,058,334</u> |
| Total Liabilities, Deferred Inflows and Fund Balances | <u>\$ 32,035,789</u> | <u>\$ 4,661,465</u> | <u>\$ 20,599,104</u> |

The accompanying notes are an integral part of this statement.

| SPECIAL REVENUE FUNDS | OTHER FUNDS | COMMUNITY SERVICE FUND | TOTALS |
|--------------------------|----------------|------------------------------|---------------|
| \$ 2,000 | \$ 197,091 | \$ - | \$ 31,325,209 |
| 6,470,439 | 185,762 | - | 14,502,641 |
| - | - | 717,662 | 19,041,462 |
| \$ 6,472,439 | \$ 382,853 | \$ 717,662 | \$ 64,869,312 |
| | | | |
| \$ 272,986 | \$ | \$ 216 | \$ 1,153,676 |
| 55,531 | 173 | 19,474 | 6,836,156 |
| 4,868,940 | 295,746 | - | 21,089,266 |
| 311,740 | - | - | 340,615 |
| 5,509,197 | 295,919 | 19,690 | 29,419,713 |
| - | - | - | 4,985,046 |
| - | - | - | 4,985,046 |
| | | | |
| - | - | - | 4,299,161 |
| 963,242 | - | - | 963,242 |
| - | - | - | 3,058,334 |
| - | - | 697,972 | 697,972 |
| - | 86,934 | - | 21,445,844 |
| 963,242 | 86,934 | 697,972 | 30,464,553 |
| \$ 6,472,439 | \$ 382,853 | \$ 717,662 | \$ 64,869,312 |

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

| REVENUES: | GENERAL FUND | CAPITAL PROJECTS | DEBT SERVICE FUND |
|---|----------------------|---------------------|-------------------------|
| Taxes | \$ 57,376,004 | \$ - | \$ 28,697,308 |
| Federal grants | 97,719 | - | - |
| State and local sources | 100,572,103 | - | 115,668 |
| Earnings from investments | 270,574 | 13,878 | 104,503 |
| Services Provided Other Funds | 2,034,414 | - | 9,687,052 |
| Construction Excise Tax | - | 1,608,377 | - |
| Miscellaneous | 416,343 | 59,737 | - |
| Total Revenues | 160,767,157 | 1,681,992 | 38,604,531 |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction | 90,702,478 | - | - |
| Support Services | 61,774,474 | 1,218,533 | - |
| Community Services | 20,909 | - | - |
| Facilities Acquisition | - | 273,523 | - |
| Capital Outlay | 95,610 | 4,967,545 | - |
| Debt Service | - | - | 38,969,339 |
| Total Expenditures | 152,593,471 | 6,459,601 | 38,969,339 |
| Revenues over (under) expenditures | 8,173,686 | (4,777,609) | (364,808) |
| Other Financing Sources, (Uses): | | | |
| Loan Receipts | - | - | - |
| Refunding Bond Proceeds | - | - | 26,914,637 |
| Sale of capital assets | - | - | - |
| Payment to refunded bond escrow agent | - | - | (27,169,921) |
| Refunded Bond Issue Costs | - | - | (209,421) |
| Transfers in | 367,000 | 3,084,949 | 2,500,820 |
| Transfers out | (4,605,556) | (210,000) | - |
| Total other financing sources (uses) | (4,238,556) | 2,874,949 | 2,036,115 |
| Net Change in Fund Balance | 3,935,130 | (1,902,660) | 1,671,307 |
| Fund balance (Deficit), July 1, 2015 | 17,423,780 | 6,201,821 | 1,387,027 |
| Fund balance (Deficit), June 30, 2016 | <u>\$ 21,358,910</u> | <u>\$ 4,299,161</u> | <u>\$ 3,058,334</u> |

The accompanying notes are an integral part of this statement.

| SPECIAL REVENUE FUNDS | OTHER FUNDS | COMMUNITY SERVICE FUND | TOTALS |
|--------------------------|------------------|------------------------------|----------------------|
| \$ - | \$ - | \$ - | \$ 86,073,312 |
| 10,314,017 | - | - | 10,411,736 |
| 4,655,644 | 7,403,172 | 1,575,256 | 114,321,843 |
| - | 1,315 | - | 390,270 |
| - | - | - | 11,721,466 |
| - | - | - | 1,608,377 |
| - | - | - | 476,080 |
| <u>14,969,661</u> | <u>7,404,487</u> | <u>1,575,256</u> | <u>225,003,084</u> |
| 4,337,878 | 6,352,518 | - | 101,392,874 |
| 3,527,450 | 969,250 | 2,482 | 67,492,189 |
| 6,366,004 | 6,000 | 1,557,935 | 7,950,848 |
| 3,860 | - | - | 277,383 |
| 113,212 | - | - | 5,176,367 |
| - | - | - | 38,969,339 |
| <u>14,348,404</u> | <u>7,327,768</u> | <u>1,560,417</u> | <u>221,259,000</u> |
| <u>621,257</u> | <u>76,719</u> | <u>14,839</u> | <u>3,744,084</u> |
| 900,000 | - | - | 900,000 |
| - | - | - | 26,914,637 |
| 8,900 | - | - | 8,900 |
| - | - | - | (27,169,921) |
| 1,339,832 | - | - | (209,421) |
| (2,952,045) | - | (25,000) | 7,292,601 |
| <u>(703,313)</u> | <u>-</u> | <u>(25,000)</u> | <u>(7,792,601)</u> |
| (82,056) | 76,719 | (10,161) | (55,805) |
| 1,045,298 | 10,215 | 708,133 | 3,688,279 |
| <u>\$ 963,242</u> | <u>\$ 86,934</u> | <u>\$ 697,972</u> | <u>\$ 30,464,553</u> |

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2016

| | | |
|--|----|---------------|
| Total Fund Balances - Governmental Funds | \$ | 30,464,553 |
| <p>The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The statement of Net Position includes those capital assets among the assets of the District as a whole.</p> | | |
| Net Capital Assets | | 321,947,988 |
| <p>The unamortized portion of the loss on refunding of GO Bonds is reported as a deferred outflow on the Statement of Net Position. Because of its relationship with long term debt transactions, it is not recognized on the governmental funds' balance sheet.</p> | | |
| | | 34,795,507 |
| <p>Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Position.</p> | | |
| Long term Liabilities | | |
| Net Pension Liability | \$ | (31,054,190) |
| OPEB, Implicit Rate Subsidy | | (9,900,975) |
| OPEB, Stipend Benefit | | (1,044,343) |
| Capital lease obligations payable | | (61,950) |
| Notes payable | | (8,502,966) |
| Interest Payable | | (1,489,995) |
| Accrued Compensated Absences | | (549,412) |
| General obligation bonds payable | | (306,389,339) |
| Unamortized Premium on General Obligation Bonds | | (27,999,897) |
| | | (386,993,067) |
| <p>The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.</p> | | |
| | | 7,985,226 |
| <p>Deferred Outflows and Inflows related to pensions are recorded on the Statement of Net Position to account for the effect of contributions and other variables that impact the District's total net pension obligation since the date of the actuarial valuation. Net Pension deferrals are not recognized in the governmental funds.</p> | | |
| Deferred Outflows, Pensions | | 4,917,331 |
| Deferred Inflows, Pensions | | (6,855,574) |
| | | (1,938,243) |
| Deferred revenue related to property taxes | | 4,985,046 |
| Net Position | \$ | 11,247,010 |

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2016

Total Net Changes in Fund Balances - Governmental Funds \$ 3,688,279

Repayment of bond principal, capital leases and post retirement obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Proceeds from the issuance of long-term debt are recorded as revenue in the governmental funds, but are liabilities on the Statement of Net Position.

| | | |
|--|----------------|------------|
| Debt Payments | \$ 20,919,891 | |
| Loan Proceeds | (900,000) | |
| Refunding Bond Proceeds | (26,914,637) | |
| Payments to Escrow Agent - Refunding Bonds | 27,169,921 | |
| Change in Other Post Retirement Benefits | 187,753 | |
| Change in Accrued Vacation | <u>116,969</u> | 20,579,897 |

Bond Issue Premiums are amortized over the life of the bond in the government-wide statements 1,661,018

The Deferred Loss on bond refunding is amortized over the life of the replacement bonds. Amortization is not recorded in the funds (2,078,474)

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

| | | |
|----------------------|---------------------|-------------|
| Capitalized Items | \$ 5,060,595 | |
| Depreciation Expense | <u>(11,487,859)</u> | (6,427,264) |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 191,864

The revenues and expenses of the internal service funds are included in governmental activities in the statement of activities. (2,983,492)

The Statement of Activities reports the income effect of the change in the District's Net Pension Obligations (28,195,458)

Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes a deferred revenue for all property taxes levied but not received, however in the Statement of Activities, there is no deferred revenue and the full property tax receivable is accrued. 329,955

Change in Net Position of Governmental Activities \$ (13,233,675)

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON
STATEMENT OF PROPRIETARY NET POSITION
INTERNAL SERVICE FUND
June 30, 2016

| | HEALTH SELF INSURANCE FUND |
|---|----------------------------------|
| ASSETS: | |
| Current assets | |
| Cash and Investments | \$ 10,230,772 |
| Accounts Receivable | 434,143 |
| Interfund Receivable | 2,047,636 |
| | 12,712,551 |
| Total current assets | 12,712,551 |
| Total assets | \$ 12,712,551 |
| LIABILITIES AND NET POSITION: | |
| LIABILITIES: | |
| Current Liabilities | |
| Estimated Claims Liability | \$ 4,724,433 |
| Accounts Payable | 2,892 |
| Accrued payroll, taxes, and employee withholdings | - |
| | 4,727,325 |
| Total Current Liabilities | 4,727,325 |
| Total Liabilities | 4,727,325 |
| NET POSITION | |
| Unrestricted | 7,985,226 |
| Total Net Position | 7,985,226 |
| Total Liabilities and Net Position | \$ 12,712,551 |

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN PROPRIETARY NET POSITION
INTERNAL SERVICE FUND
For the Year Ended June 30, 2016

| | HEALTH SELF INSURANCE FUND |
|----------------------------------|----------------------------------|
| OPERATING REVENUES: | |
| Services Provided to Other Funds | \$ 27,917,484 |
| Earnings from Investments | 56,958 |
| Miscellaneous | 491,606 |
| Total Operating Revenues | 28,466,048 |
| OPERATING EXPENSES: | |
| Purchased Services | 31,949,540 |
| Total Operating Expenses | 31,949,540 |
| Income From Operations | (3,483,492) |
| OTHER FINANCING SOURCES, (USES) | |
| Transfers In | 500,000 |
| Total Transfers | 500,000 |
| Change in Net Position | (2,983,492) |
| Net Position, July 1, 2015 | 10,968,718 |
| Net Position, June 30, 2016 | \$ 7,985,226 |

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
For the Year Ended June 30, 2016

| | HEALTH SELF INSURANCE FUND |
|--|----------------------------------|
| Cash Flows From Operating Activities: | |
| Cash Received from Customers | \$ 28,152,151 |
| Earnings from Investments | 56,958 |
| Cash Paid to Employees and Suppliers | (31,897,336) |
| Net cash provided (used) by operating activities | (3,688,227) |
| Cash Flows From Non-Capital Financing Activities: | |
| Transfers | 500,000 |
| Net increase (decrease) in cash and investments | (3,188,227) |
| Cash and investments, beginning of year | 13,418,999 |
| Cash and investments, end of year | \$ 10,230,772 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | |
| Operating Income | \$ (3,483,492) |
| (Increase) Decrease in Receivables | (256,939) |
| Increase (Decrease) in Payables | 96,357 |
| Increase (Decrease) in Accrued Payroll | (44,153) |
| Net Cash Provided by Operating Activities | \$ (3,688,227) |

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2016

| | <u>AGENCY FUNDS</u> <u>STUDENT ACTIVITY</u> <u>FUNDS</u> |
|------------------------------|--|
| ASSETS: | |
| Cash and cash equivalents | \$ <u>2,005,396</u> |
| Total Assets | <u><u>2,005,396</u></u> |
| LIABILITIES: | |
| Due to Student Organizations | <u>2,005,396</u> |
| Total Liabilities | <u><u>\$ 2,005,396</u></u> |

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

North Clackamas School District No. 12 (the District) is a municipal corporation governed by an elected Board of Directors. Administration officials are approved by the Board. The daily functioning of the District is under the supervision of the Superintendent-Clerk. As required by generally accepted accounting principles, all activities of the District have been included in these basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

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

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

Program Revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest of general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfold activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND TYPES

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

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

INTERNAL SERVICE FUND

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected to follow subsequent private-sector guidance.

Proprietary funds (internal service fund) distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are internal charges. Operating expenses for internal service funds include the cost of sales and services, and administrative expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the following major governmental funds:

GENERAL FUND

This fund accounts for the financial operations of the District not accounted for in any other fund. Principal sources of revenue are property taxes and distributions for the State of Oregon. Expenditures in the fund are made for instructional purposes and related support services.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL PROJECTS FUND

These funds account for activities related to the acquisition, construction, equipping and furnishing of new schools and other facilities. Principal revenue sources are proceeds received from general obligation bond issues and the related interest earned on proceeds not yet expended.

COMMUNITY SERVICES FUND

These funds account for activities related to community service activities. Principal revenue sources are charges for services.

DEBT SERVICE FUND

This fund accounts for the payment of principal and interest on general obligation bonded debt. Principal revenue sources are property taxes and investment earnings.

SPECIAL REVENUE FUND

This fund accounts for the grants received from federal and state sources.

OTHER FUNDS

The activities of multiple different fund types are combined in the other funds. The individual items being combined are the funds for Scholarships, Clackamas Charter Alliance, Milwaukie Academy of the Arts, and Sojourner Education Foundation.

Additionally, the government reports the following fund types:

INTERNAL SERVICE FUND

This fund accounts for costs incurred for employees' general health insurance. The principal revenue source is charges to other funds for service.

FIDUCIARY FUND TYPE

The District's agency fund is custodial in nature and does not present results of operations or have a measurement focus. These funds account for student body funds at various District Schools.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

For financial reporting purposes, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FAIR VALUE INPUTS, METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund’s own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

PROPERTY TAXES

Uncollected real and personal property taxes are reflected on the statement of net position and the balance sheet as receivables. Uncollected taxes are deemed to be substantially collectible or recoverable through liens, therefore no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District. Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

GRANTS

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability in the balance sheet and statement of net position.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORIES

Inventories of supplies are valued at cost, first-in, first-out (FIFO) method. Donated commodities are valued at their fair market value when donated. Inventories are charged as expenditures when purchased or donated.

CAPITAL ASSETS

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

| | |
|----------------------------|----------------|
| Buildings and improvements | 10 to 50 years |
| Vehicles and Equipment | 5 to 30 years |

RETIREMENT PLANS

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

SELF-INSURANCE

The District is self-insured for losses and claims up to policy deductible limits ranging from \$5,000 to \$50,000 for property, comprehensive general and automobile liability, Board of Directors' liability, boiler and machinery, and fidelity bond coverage's. Additionally, the District is self-insured for workers' compensation.

COMPENSATED ABSENCES

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

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM OBLIGATIONS

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

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

NET POSITION

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

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

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

FUND BALANCE

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

- Nonspendable fund balance represents amounts that are not in a spendable form. No portion of the District's fund balance is considered nonspendable.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE (CONTINUED)

- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. This authority has been given to the Superintendent and Chief Financial Officer.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

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

To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum fund balance policy. The District will target a minimum fund balance equal to no less than five (5) percent of the General Fund expenditures and other financing uses as a reserve for economic uncertainties.

DEFERRED OUTLOWS/INFLOWS OF RESOURCES

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

A budget is prepared and legally adopted for each fund, except the Student Activities and the Deferred Compensation Agency Funds, in accordance with Oregon Local Budget Law. These budgets are all prepared using the modified accrual basis of accounting.

The District begins its budgeting process by appointing Budget Committee members in early fall. Budget recommendations are developed by management through spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June, and the hearing is held in June. The budget is adopted, appropriations are made and the tax levy is declared no later than June 30. Expenditure budgets are appropriated at the major function level (instruction, support services, community services, debt service, contingency, and transfers) for each fund.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Expenditure appropriations may not legally be over expended, except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels). Such transfers require approval by the Board.

During the year ended June 30, 2016, there were three appropriation transfer resolutions. Budget amounts shown in the basic financial statements include the original budget amounts and appropriation transfers approved by the Board. Appropriations lapse at the end of each fiscal year.

For the year ended June 30, 2016, actual expenditures were within appropriations, except for Facilities Acquisition in the Capital Projects Fund which was overspent by \$110,476.

3. BUDGET/GAAP REPORTING DIFFERENCES

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

4. CASH AND INVESTMENTS

The District maintains a cash pool that is available for use by all funds except the agency funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments or amounts of Interfund Payables. In addition, cash is separately held by some of the District's funds.

Cash and Investments at June 30, 2016 (recorded at fair value) consisted of:

Deposits with Financial Institutions:

| | | | |
|-----------------|----------------------|-------------------|----------------------|
| Petty Cash | \$ 85,304 | Governmental | \$ 31,325,209 |
| Demand Deposits | 2,742,055 | Internal Services | 10,230,772 |
| Investments | <u>40,734,018</u> | Fiduciary Funds | <u>2,005,396</u> |
| | <u>\$ 43,561,377</u> | | <u>\$ 43,561,377</u> |

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

No more than the stated percentage of the overall portfolio will be invested in each of the following categories of securities:

| | |
|--|----------------------|
| U.S. Treasury Obligations | 100% |
| Local Government Investment Pool | 100% (or pool limit) |
| Fully insured Certificates of Deposit (CD) | 100% |
| Bankers' Acceptances (BA's) | 50% |
| Certificates of Deposit (CD) | 25% |
| Repurchase Transactions | 10% |
| U.S. Government agency securities and instrumentalities of government sponsored corporations | 100% |

There were no known violations of legal or contractual provisions for investments.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2016. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2016, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

As of June 30, 2016, the District had the following investments and maturities.

| <u>Investment Type</u> | 6/30/16 | <u>Investment Maturities (in months)</u> | | |
|------------------------|----------------------|--|-------------|--------------|
| | Fair Value | <u>Less than 3</u> | <u>3-17</u> | <u>18-59</u> |
| LGIP | \$ 40,734,018 | \$ 40,734,018 | \$ - | \$ - |
| TOTAL | <u>\$ 40,734,018</u> | <u>\$ 40,734,018</u> | <u>\$ -</u> | <u>\$ -</u> |

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Neither the Oregon Revised Statutes nor the District's investment policy limits investments as to credit rating for securities purchased from U.S. Government Agencies.

The District is to maintain a listing of financial institutions approved for investment purposes. At minimum, the district is to conduct an annual evaluation of each bank's creditworthiness, in order to determine whether it should remain on the list of those qualified.

Oregon Revised Statutes require bankers' acceptances to be guaranteed by and carried on the books of, a qualified financial institution, eligible for discount by Federal Reserve System, and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

Concentration of Credit Risk

Custodial credit risk – deposits. At year-end, the District's net carrying amount of deposits was \$735,624 and the bank balance was \$1,410,216. Of these deposits, \$250,000 was covered by federal depository insurance, the remainder is collateralized the Oregon Public Funds Collateralization Program (PFCP).

To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the District's investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2016 the District was in compliance with all percentage restrictions.

Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. Amounts in the State Treasurer's Local Government Investment Pool are not required by law to be collateralized.

5. GRANTS RECEIVABLE

Special revenue fund grants receivable are comprised of claims for reimbursement of costs under various federal and state grant programs.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2016 are as follows:

| | Capital Assets July 1, 2015 | Additions | Deletions | Capital Assets June 30, 2016 |
|--------------------------------|--------------------------------|-----------------------------|-----------------------------|---------------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Capital Assets: | | | | |
| Non Depreciable: | | | | |
| Land | \$ 39,993,097 | \$ 1,974,080 | \$ - | \$ 41,967,177 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Non Depreciable | 39,993,097 | 1,974,080 | - | 41,967,177 |
| Depreciable: | | | | |
| Buildings and Improvements | 366,917,869 | 2,910,171 | - | 369,828,040 |
| Vehicles and Equipment | 28,001,078 | 176,344 | - | 28,177,422 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Depreciable | 394,918,947 | 3,086,515 | - | 398,005,462 |
| Total Capital Assets | <u>434,912,044</u> | <u>5,060,595</u> | <u>-</u> | <u>439,972,639</u> |
| Accumulated Depreciation: | | | | |
| Buildings and Improvements | (87,136,426) | (9,435,976) | - | (96,572,402) |
| Vehicles and Equipment | (19,400,366) | (2,051,883) | - | (21,452,249) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Accumulated Depreciation | <u>(106,536,792)</u> | <u>\$ (11,487,859)</u> | <u>\$ -</u> | <u>(118,024,651)</u> |
| Total Net Capital Assets | <u>\$ 328,375,252</u> | | | <u>\$ 321,947,988</u> |

Depreciation was allocated to the functions as follows:

| | |
|--------------------|----------------------|
| Instruction | \$ 6,594,670 |
| Support Services | 4,376,060 |
| Community Services | <u>517,129</u> |
| Total | <u>\$ 11,487,859</u> |

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

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

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
 - i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
 - ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
 - member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
 - iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
 - iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
- Police and fire:* 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
- General service:* 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
- A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
- ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2016 were \$2,813,974, excluding amounts to fund employer specific liabilities.

Pension Asset or Liability - At June 30, 2016, the District reported a net pension liability of \$31,054,190 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2013, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2013, the District's proportion was .54 percent.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | <u>Deferred Outflow of Resources</u> | <u>Deferred Inflow of Resources</u> |
|---|--|---|
| Difference between expected and actual experience | \$ 1,674,599 | \$ - |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on plan investments | - | 6,509,662 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 428,758 | 345,912 |
| District contributions subsequent to measuring date | 2,813,974 | - |
| | <u>\$ 4,917,331</u> | <u>\$ 6,855,574</u> |

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-----------------------|
| 2017 | \$ (2,684,907) |
| 2018 | (2,684,907) |
| 2019 | (2,684,907) |
| 2020 | 3,181,716 |
| 2021 | 120,788 |
| Total | <u>\$ (4,752,217)</u> |

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016. Oregon PERS produces an independently audited CAFR which can be found at:

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

Actuarial Valuations – The employer contribution rates effective July 1, 2015 through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

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

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions:

| | |
|---------------------------|--|
| Valuation date | December 31, 2013 rolled forward to June 30, 2015 |
| Experience Study Report | 2014, Published September 2015 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years |
| Asset valuation method | Market value of assets |
| Inflation rate | 2.75 percent |
| Investment rate of return | 7.75 percent |
| Projected salary increase | 3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service. For COLA, a blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service. |
| Mortality | Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table. |

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | (6.75%) | (7.75%) | (8.75%) |
|--|---------------|---------------|----------------|
| District's proportionate share of the net pension liability | \$ 74,948,133 | \$ 31,054,190 | \$ (5,936,872) |

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by Employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the Moro Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which will be effective January 1, 2016 and will be included in the next update.

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the District.

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. 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 OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP. The District makes this contribution on behalf of its employees.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. The District is self-insured for \$50,000 for each comprehensive general liability or automobile claim. The operations of the self-insurance program are reported in an Internal Service Fund, the General Self-Insurance Fund. Expenses are for reported and expected claims, administrative operating costs and the premium for its property insurance policies.

The District established a Self-Insurance Fund to account for and finance its uninsured risks of loss related to injuries of employees. Under this program, the Fund provides coverage up to a maximum of \$300,000 for each workers' compensation claim.

The District established the Health Self-Insurance Fund during the 1999-2000 fiscal year. The Health Self-Insurance Fund is used to pay employee medical bills, stop loss insurance payment, and administrative fees. The District purchases commercial insurance for claims in excess of coverage provided by the above internal service funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The General Fund makes payments to the above internal service funds based on estimates of the amounts needed to pay prior and current year claims and to establish assets available to pay claim losses. The claim liability of \$4,724,433 reported in the funds at June 30, 2016 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amounts of the loss can be reasonably estimated. Liabilities include an amount calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The District provides currently for estimated losses to be incurred from pending claims and for incurred but not reported claims.

Change in the funds' claims liability amounts for the years ended June 30, 2016 and 2015 are as follows:

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| Estimated claims liability, July 1 | \$ 4,628,692 | \$ 4,904,848 |
| Current year claims and changes in estimates | 31,949,540 | 27,924,691 |
| Claims payments | <u>(31,853,799)</u> | <u>(28,200,847)</u> |
| Estimated claims Liability, June 30 | <u>\$ 4,724,433</u> | <u>\$ 4,628,692</u> |

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFERRED COMPENSATION

The District had a deferred compensation plan available for its employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets and liabilities of the District.

After June 30, 2007, any Administrator who was employed by the district as an administrator on June 30, 2005 will be eligible for a retirement pension as defined: Any administrator qualifying for the retirement benefit who retires after July 1, 2007, will be eligible for a supplemental retirement benefit equal to 60% of the administrator's salary at the time of retirement or \$60,000, whichever is less. The administrator's salary for purposes of this agreement shall include the 6% payment which the District currently makes to the PERS on the Administrator's behalf. An administrator initially employed as an administrator between July 1, 2002, and June 30, 2005, and who had at least 15 years of employment in the North Clackamas School District prior to that retirement will be eligible for supplemental retirement benefits. The administrator may elect to take the supplemental retirement benefit in cash payments or in payment of District insurance coverage.

If the administrator opts to take the retirement benefit in cash payments, the payments will be made in five equal annual installments made by September 1 of each of the five calendar years following retirement into the PERS system. If the administrator opts to apply the supplemental retirement benefit to insurance payments, those payments will continue until the sum of the benefit is exhausted. In the case of the death of the employee before the supplemental retirement benefit is fully paid, any moneys remaining will be paid to the estate in a single, lump-sum payment.

10. OTHER POST EMPLOYMENT BENEFITS

Plan Description – The substantive plan is comprised of both explicit and implicit benefits to employees attaining early retirement eligibility. Employees are generally “early retirement eligible” after attaining age 55 and completing 10 years of District Service or upon retiring from the District after completing 30 years of PERS covered employment. Licensed and Administrative employees are provided with an “allowance” that may be drawn down as a stipend or may be applied to pay for continued coverage under one or more of the District’s benefit plans (i.e. the medical plan, the dental plan, the vision plan, and the life insurance plan). These benefits fall within the scope of GASB 27 and are collectively referred to as “Stipend” benefits.

Confidential employees are provided an allowance to pay for continued coverage under one or more of the District’s benefit plans. Because this benefit is contingent on the retiree’s continued coverage under the District’s health plan the benefit is within the scope of GASB 45 and are referred to as “Explicit Medical” benefits.

This plan allows eligible retirees and their dependents to purchase continuation coverage under the District’s health insurance plans from the date of retirement until eligibility for Medicare as required under ORS 234.303. Coverage of these retirees, as well as those paying for coverage with their stipend, can result in an “implicit subsidy” (the difference between expected early retiree claim costs and the premium paid by the retiree) requiring cost and liability recognition under GASB 45.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Confidential employees who are eligible for the “Explicit Medical” benefit are provided with an amount equal to the lesser of 60% of their final salary or \$30,000 that is applied to pay for continued coverage under one or more of the District’s health plans (i.e. medical plan, dental plan, and vision plan). Benefits for employees who work less than full time are pro-rated. Any remaining amount to be paid at age 65 is forfeited. If the retiree dies before the account balance is paid, any remaining amount is paid as a lump sum to the retiree’s beneficiary.

In regard to the “Implicit Subsidy”, an employee must be enrolled in a North Clackamas School District health plan for 24 consecutive months immediately prior to retirement and eligible for retirement under PERS, or the surviving spouse of an employee who would have been eligible. The younger spouse of a retiree who is Medicare-eligible is also eligible for implicit medical benefits through the District until the spouse is Medicare-eligible. The retiree receives health insurance coverage for themselves and their dependents on a self-pay basis. Coverage for the retiree ends the first day of the month that the retiree is eligible for Medicare. Coverage for the retiree’s spouse ends the first day of the first month that the spouse is eligible for Medicare. Unmarried children are covered until such time as they are no longer eligible.

Stipend benefits for licensed and administrative employees are described on the next page.

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

Annual Pension Cost and Net Pension Obligation - The District's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within the parameter of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the OPEB obligation at the end of the year:

| | 2016 | 2015 | 2014 |
|--|--------------|---------------|---------------|
| Annual Required Contribution | \$ 463,616 | \$ 474,167 | \$ 1,585,417 |
| Interest on OPEB Obligation | 301,082 | 304,693 | 285,409 |
| Adjustment to ARC | (512,033) | (518,173) | (471,241) |
| Annual OPEB Cost | 252,665 | 260,687 | 1,399,585 |
| Contributions | (387,768) | (381,031) | (756,800) |
| Increase (Decrease) in Net OPEB Obligation | (135,103) | (120,344) | 642,785 |
| Net OPEB Obligation - beginning of year | 10,036,078 | 10,156,422 | 9,513,637 |
| Net OPEB Obligation - end of year | \$ 9,900,975 | \$ 10,036,078 | \$ 10,156,422 |

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions – The actuarially accrued liability and normal cost for the current year was determined as part of the June 30, 2016 actuarial valuation using the entry age normal cost method. Under this method, the actuarial present value of the projected benefits of each active employee is allocated on a level percentage op bay basis over the service of the active employee between assumed entry age and assumed exit age. The portion of this actuarial present value allocated to the valuation year is called the normal cost for the employee. The sum of these individual normal costs is the normal cost for the year. The unfunded accrued liability is amortized over an open period of 30 years as a percentage of payroll. The actuarial assumptions included (a) an investment return assumption (interest discount) of 3.0%; (b) initial annual increases for medical premiums are between 8% and 9% depending on the provider. Annual increases decrease by 0.5% each year until reaching 5%. Increases remain stable thereafter. Increases in dental premiums are initially 4%. Annual increases decrease by 0.5% each year until reaching 3% annually; (c) at each age from 50 through 64, a percentage of the otherwise eligible employees are assumed to retire. The percentages range from 0% to 50% at most ages. The actuarial assumptions are set by the District, based upon recommendations made by the Plan’s actuary. With the exception of the investment return, medical trend assumptions, and retirement rates for employees eligible for early retirement OPEB or stipend benefits, all of the other actuarial assumptions are intended to match those selected by the Oregon PERS actuary and used to value benefits for school district employees under Oregon PERS.

Funding Status and Funding Progress – As of June 30, 2015, the plan was 0% funded. The actuarial accrued liability for benefits was \$5,288,603 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,288,603. The covered payroll (annual payroll of active employees covered by the plan) was \$76,160,245, and the ratio of the UAAL to the covered payroll was 6.94%.

Net Pension Obligation – The District offers stipend benefits to all retired licensed employees and administrators with at least 10 years of District Service (15 years for Administrators hired after June 30, 2002), and who are at least 55 years of age or have 30 years of PERS service. Administrators must have been hired before July 1, 2006.

Stipend Benefits for Licensed Employees - Eligible licensed employees may receive a \$30,000 benefit at retirement (benefit is pro-rated for employees who work less than full time) that may be paid in one of the following forms:

Option 1: Retiree may use \$30,000 to pay for continued coverage under one or more of the District’s health plans (i.e. the medical plan, the dental plan, the vision plan, and the life insurance plan) on a pre-tax basis. Any remaining amount in the retiree’s account balance at age 65 is paid as a lump sum. If the retiree dies before the account balance is paid, any remaining amount is paid as a lump sum to the retiree’s beneficiary.

Option 2: Retiree may receive \$30,000 as a stipend payable over 4 years in equal installments. This benefit continues until the account balance is exhausted. If the retiree dies before the account balance is paid, any remaining amount is paid as a lump sum to the retiree’s beneficiary.

Stipend Benefits for Administrators – Administrators receive the lesser of 60% of salary at retirement of \$60,000 (benefit is pro-rated for employees who work less than full time) as a retirement benefit that may be paid in one of the following forms:

Option 1: Same as Licensed Employee

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Option 2: Retiree may receive retirement benefit as a stipend payable over 5 years in equal installments. This benefit continues until the account balance is exhausted. If the retiree dies before the account balance is paid, any remaining amount is paid as a lump sum to the retiree's beneficiary.

The following table shows the components of the Net Pension Obligation at the end of the year:

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|-------------------|
| Annual Required Contribution (Stipend) | \$ 1,002,826 | \$ 1,037,402 | \$ 1,099,043 |
| Interest on Net Pension Obligation (BOY) | 32,910 | 29,250 | 35,372 |
| Adjustment to ARC for Net Pension Obligation | <u>(55,968)</u> | <u>(49,744)</u> | <u>(58,402)</u> |
| Annual Pension Cost | 979,768 | 1,016,908 | 1,076,013 |
| Estimated Contributions | (1,032,418) | (894,926) | (1,280,064) |
| Increase (Decrease) in Net Pension Obligation | (52,650) | 121,982 | (204,051) |
| Net Pension Obligation - Beginning of Fiscal Year | <u>1,096,993</u> | <u>975,011</u> | <u>1,179,062</u> |
| Net Pension Obligation - End of Fiscal Year | <u>\$ 1,044,343</u> | <u>\$ 1,096,993</u> | <u>\$ 975,011</u> |

11. LONG-TERM DEBT

In October 31, 2002 and April 2003, the District issued \$113,978,012 of limited tax pension obligation bonds to finance its unfunded actuarially accrued liability (UAL) with the State of Oregon Public Employees Retirement System (PERS). The issuance of the bonds was considered an advance refunding of the District's UAL and resulted in an estimated present value savings of approximately \$29.3 million over the life of the bonds. The actual savings realized by the District over the life of the bonds is uncertain because of the various legislative changes and legal issues pending with the PERS system which could impact the District's future required contribution rate.

In December of 2014, the District issued \$170,380,000 in government obligation bonds for the purpose of refunding a portion of its government obligation bonds issued in 2007. The bonds were sold at a premium of \$28,237,296. A total of \$198,617,296 was raised to buy back bonds issued in 2007 with an outstanding principal balance of \$153,556,142 and value as of December 18, 2014 of \$197,631,199. The difference of \$986,097 was paid for various costs of issuance.

The 2014 refunding resulted in a deferred loss on the Statement of Net Position of \$35,334,060 due to the excess of the principal balance and premium of the new bonds as compared to the principal balance and premium outstanding for the bonds that were paid off. Although the stated amount of bonded debt is now higher, the District will save a significant amount of money over the life of the new bonds due to the reduction in interest payments. The present value of the savings on the total debt service of the refunding bonds in comparison to the old bonds is \$15,119,698. The deferred loss is amortized on the straight line basis over the life of the 2014 refunding bonds. The unamortized balance as of June 30, 2016 was 33,255,586.

In May of 2016, the District issued \$23,830,000 in government obligation bonds for the purpose of refunding additional 2007 bonds. The bonds were sold at a premium of \$3,084,637. In addition, the District provided \$464,705 of its own funds to bring the total money raised to \$27,379,342. 2007 bonds with a principal balance of \$25,630,000 were paid off and transaction costs were \$209,421. The difference of \$1,539,921 is reported as a deferred loss on the Statement of Net Position and amortized over the life of the new bonds. \$8,040,000 of principal balance remains on the 2007 bonds.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. LONG-TERM DEBT (CONTINUED)

Bonds payable are as follows:

| Issue Date | Interest Rates | Original Issue | Outstanding June 30, 2015 | Issued | Matured And Redeemed | Outstanding June 30, 2016 |
|---------------------|----------------|----------------|---------------------------|----------------------|----------------------|---------------------------|
| May 2016 | 2.0 - 4.0% | 23,830,000 | - | 23,830,000 | - | 23,830,000 |
| December 2014 | 2.0 - 5.0% | 170,380,000 | 169,910,000 | - | 1,370,000 | 168,540,000 |
| August 2011 | 4.0 - 5.0% | 3,490,000 | 3,490,000 | - | - | 3,490,000 |
| December 2007 | 4.0 - 5.0% | 229,596,142 | 40,605,000 | - | 32,565,000 | 8,040,000 |
| December 2004 | 2.0 - 5.0% | 65,160,000 | 27,190,000 | - | 8,250,000 | 18,940,000 |
| October 2002 | 2.06-6.1% | 21,009,781 | 39,725,018 | - | 1,017,642 | 38,707,376 |
| April 2003 | 2.06-6.1% | 26,941,738 | 46,538,297 | - | 1,696,334 | 44,841,963 |
| | | | \$ 327,458,315 | \$ 23,830,000 | \$ 44,898,976 | \$ 306,389,339 |
| Premium/(Discount) | | | 26,576,278 | 3,084,637 | 1,661,018 | 27,999,897 |
| Total Bonds Payable | | | <u>\$ 336,750,318</u> | <u>\$ 26,914,637</u> | <u>\$ 46,559,994</u> | <u>\$ 334,389,236</u> |

All general obligation debt has annual principal and semi-annual interest payment requirements. All long-term debt obligations are payable from the General and Debt Service funds. The contracts payable is comprised of five contracts, two are lease purchase agreements for the purchase of computers, and three are installment purchase agreements for buses and food service equipment. The District defeased 1998 GO bonds, and \$19,445,000 are still outstanding. Notes payable at June 30, 2016 consist of the following:

| | Issued to | Issue Date | Maturity Date | Interest Rate | Original Issue Amount | Amount Outstanding |
|-----------------------|-----------|---------------|---------------|---------------|-----------------------|---------------------|
| Property Schedule #9 | Key Bank | June 29, 2007 | Dec. 29, 2016 | 4.0-4.5% | 2,235,743 | 143,860 |
| Property Schedule #10 | Key Bank | Mar. 10, 2008 | Apr. 10, 2018 | 4.23% | 3,941,454 | 925,473 |
| Property Schedule #11 | Key Bank | June 1, 2009 | Sep 10, 2019 | 4.0-4.5% | 3,535,896 | 1,346,769 |
| Property Schedule #12 | Key Bank | Jan. 20, 2012 | Jan. 20, 2022 | 2.78% | 1,403,237 | 887,933 |
| Property Schedule #13 | Key Bank | Jan. 20, 2013 | Dec. 20, 2022 | 2.37% | 1,665,122 | 1,126,382 |
| Property Schedule #14 | Key Bank | Dec. 10, 2014 | Dec. 20, 2024 | 2.79% | 1,157,224 | 1,004,171 |
| Property Schedule #15 | Key Bank | July 23, 2015 | Jun. 20, 2025 | 2.96% | 900,000 | 819,231 |
| Freeman Building | US Bank | Nov. 4, 2011 | Oct. 1, 2016 | 3.82% | 2,700,000 | 2,249,147 |
| Total | | | | | <u>\$ 17,538,676</u> | <u>\$ 8,502,966</u> |

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. LONG-TERM DEBT (CONTINUED)

The following table displays the District's total long term debt:

| | Beginning Balance | Additons | Reductions | Ending Balance | Due Within One Year |
|------------------------------------|-----------------------|----------------------|----------------------|-----------------------|------------------------|
| Bonds Payable | \$ 327,458,315 | \$ 23,830,000 | \$ 44,898,976 | \$ 306,389,339 | \$ 22,165,549 |
| Contracts Payable | 77,438 | - | 15,488 | 61,950 | 15,488 |
| Notes Payable | 9,238,393 | 900,000 | 1,635,427 | 8,502,966 | 3,692,834 |
| Accrued Compensated Absences | 666,381 | - | 116,969 | 549,412 | 549,412 |
| Other Post Employment Benefits | 10,036,078 | - | 135,103 | 9,900,975 | - |
| Net Pension Obligation, Stipend | 1,096,993 | - | 52,650 | 1,044,343 | - |
| Total Long-term Liabilities | \$ 348,573,598 | \$ 24,730,000 | \$ 46,854,613 | \$ 326,448,985 | \$ 26,423,283 |

Future maturities of bonds, contracts, and notes are as follows:

| | General | Contracts | Notes | Total | Interest Due |
|-----------|-----------------------|------------------|---------------------|-----------------------|-----------------------|
| 2016-2017 | 22,165,549 | 15,488 | 3,692,834 | 25,873,871 | 18,070,265 |
| 2017-2018 | 12,757,058 | 15,488 | 1,351,923 | 14,124,469 | 17,576,174 |
| 2018-2019 | 8,895,283 | 15,488 | 913,653 | 9,824,424 | 17,560,620 |
| 2019-2020 | 9,784,047 | 15,486 | 735,659 | 10,535,192 | 17,793,567 |
| 2020-2021 | 13,132,080 | - | 541,826 | 13,673,906 | 13,640,204 |
| 2021-2026 | 105,310,322 | - | 1,267,071 | 106,577,393 | 57,296,222 |
| 2026-2031 | 116,095,000 | - | - | 116,095,000 | 18,255,842 |
| 2031-2032 | 18,250,000 | - | - | 18,250,000 | 730,000 |
| | \$ 306,389,339 | \$ 61,950 | \$ 8,502,966 | \$ 314,954,255 | \$ 160,922,894 |

Future payment schedules for each individual debt item are located on page 68.

12. INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS

The composition of interfund balances as of June 30, 2016, is shown in the basic financial statements. The interfund receivables and payables are used for a pooling of cash. The interfund transfers are used to fund operations in the various funds.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

13. RECEIVABLES

Receivables, as of year-end for the government's individual major funds and nonmajor, internal service in aggregate, including the applicable allowances for uncollectable accounts, are as follows:

| | |
|----------------------------------|----------------------|
| Uncollected Taxes | \$ 4,985,044 |
| Taxes Receivable - July Turnover | 297,259 |
| Grants Receivable | 6,470,431 |
| Other Miscellaneous Receivables | <u>3,183,882</u> |
| Total Receivables | <u>\$ 14,936,616</u> |

14. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue. The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

15. COMMITMENTS AND CONTINGENCIES

The District is involved in various claims and legal matters relating to its operations which have all been tended to, and are either being adjusted by the District's liability carrier, or are being defended by attorneys retained by the District's liability carrier. The status of these matters is uncertain at this time. Any potential loss is also uncertain.

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

16. SUBSEQUENT EVENT

In November, 2016, the District's voters approved a \$433 million construction bond measure. Bond proceeds will be used to renovate/replace Milwaukie High School, convert Rock Creek Middle School into the District's fourth comprehensive high school, address safety needs, construct a new elementary school, address unfunded maintenance, purchase property for a future middle school and complete major renovations at other schools throughout the District.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON
REQUIRED SUPPLEMENTARY INFORMATION

**NORTH CLACKAMAS SCHOOL DISTRICT
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended June 30, 2016**

OPEB

Schedule of Funding Progress

| Valuation Date | Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | UAAL ÷ Payroll |
|----------------|--------|-----------------------------|--------------------------------------|--------------|-----------------|----------------|
| 6/30/2011 | \$ - | \$ 19,363,213 | \$ 19,363,213 | 0.0% | \$ 75,040,356 | 25.80% |
| 6/30/2013 | \$ - | \$ 14,389,637 | \$ 14,389,637 | 0.0% | \$ 71,792,068 | 20.04% |
| 6/30/2015 | \$ - | \$ 5,288,603 | \$ 5,288,603 | 0.0% | \$ 76,160,245 | 6.9% |

Schedule of Employer Contributions

| Year Ended June 30, | Annual OPEB Cost | Contributions | % of Annual OPEB Cost Contributed |
|---------------------|------------------|---------------|-----------------------------------|
| 2015 | \$ 260,687 | \$ 381,031 | 146.2% |
| 2014 | 1,399,585 | 756,800 | 54.1% |
| 2013 | 1,413,253 | 713,465 | 50.5% |

STIPEND

Schedule of Funding Progress

| Valuation Date | Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | UAAL ÷ Payroll |
|----------------|--------|-----------------------------|--------------------------------------|--------------|-----------------|----------------|
| 6/30/2011 | \$ - | \$ 9,225,232 | \$ 9,225,232 | 0.0% | \$ 50,660,892 | 18.2% |
| 6/30/2013 | \$ - | \$ 11,070,495 | \$ 11,070,495 | 0.0% | \$ 49,621,196 | 22.3% |
| 6/30/2015 | \$ - | \$ 11,155,722 | \$ 11,155,722 | 0.0% | \$ 52,641,795 | 21.2% |

Schedule of Employer Contributions

| Year Ended June 30, | Annual Pension Cost | Contributions | % of Annual OPEB Cost Contributed |
|---------------------|---------------------|---------------|-----------------------------------|
| 2015 | \$ 1,016,908 | \$ 894,926 | 88.0% |
| 2014 | 1,076,012 | 1,280,064 | 119.0% |
| 2013 | 1,078,925 | 929,773 | 86.2% |

**NORTH CLACKAMAS SCHOOL DISTRICT
CLACKAMAS COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION
For the fiscal year ended June 30, 2016**

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| Year Ended June 30, | (a) Employer's proportion of the net pension liability (NPL) | (b) Employer's proportionate share of the net pension liability (NPL) | (c) District's covered payroll | (b/c) NPL as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---------------------------|--|---|---|--|--|
| 2016 | 0.54 % | \$ 31,054,190 | \$ 79,190,775 | 39.2 % | 91.2 % |
| 2015 | 0.55 | (12,449,878) | 74,894,505 | (16.6) | 103.6 |
| 2014 | 0.55 | 28,028,915 | 70,863,117 | 39.6 | 92.0 |

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date.

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

SCHEDULE OF CONTRIBUTIONS

| Year | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | Employer's covered payroll | Contributions as a percent of covered payroll |
|------|---|---|--|----------------------------------|--|
| 2016 | \$ 2,813,974 | \$ 2,813,974 | \$ - | \$ 85,807,840 | 3.3% |
| 2015 | 6,228,511 | 6,228,511 | - | 79,190,775 | 7.9% |
| 2014 | 5,775,344 | 5,775,344 | - | 74,894,505 | 7.7% |

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date.

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

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

| <u>GENERAL FUND</u> | | | | VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE) |
|------------------------------------|-----------------------|-----------------------|-----------------------|--|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | |
| REVENUES: | | | | |
| Revenue From Local Sources: | | | | |
| Taxes | \$ 52,680,000 | \$ 52,680,000 | \$ 57,145,671 | \$ 4,465,671 |
| Penalties and Interest | 365,000 | 365,000 | 230,333 | (134,667) |
| Earnings from investments | 242,500 | 242,500 | 270,574 | 28,074 |
| Extracurricular Activities | 120,000 | 120,000 | 82,815 | (37,185) |
| Fees | 200,000 | 200,000 | 246,864 | 46,864 |
| Rentals | 450,000 | 450,000 | 169,597 | (280,403) |
| Contributions - private | 100,000 | 100,000 | 96,166 | (3,834) |
| Services Provided Other LEA's | 63,000 | 63,000 | 30,767 | (32,233) |
| Services Provided Other Funds | 1,450,000 | 1,450,000 | 2,034,414 | 584,414 |
| Fees Charged to Grants | 150,000 | 150,000 | 106,712 | (43,288) |
| Miscellaneous | 500,000 | 500,000 | 416,343 | (83,657) |
| Total Local Revenue | 56,320,500 | 56,320,500 | 60,830,256 | 4,509,756 |
| Revenue From Intermediate Sources: | | | | |
| Other Intermediate Sources | 2,626,500 | 2,626,500 | 2,549,721 | (76,779) |
| Total Intermediate Revenue | 2,626,500 | 2,626,500 | 2,549,721 | (76,779) |
| Revenue From State Sources: | | | | |
| Unrestricted State Grants | 100,350,491 | 100,350,491 | 97,289,461 | (3,061,030) |
| Total State Revenue | 100,350,491 | 100,350,491 | 97,289,461 | (3,061,030) |
| Revenue From Federal Sources: | | | | |
| Federal Forest Fees | 90,000 | 90,000 | 97,719 | 7,719 |
| Total Federal Revenue | 90,000 | 90,000 | 97,719 | 7,719 |
| Total Revenue | \$ 159,387,491 | \$ 159,387,491 | \$ 160,767,157 | \$ 1,379,666 |

Continued on pages 49-50A

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

| <u>GENERAL FUND</u> | | | | |
|---|----------------------------|-------------------------|-------------------|------------------------------|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>SALARIES</u> | <u>EMPLOYEE BENEFITS</u> |
| Instruction: | | | | |
| Regular programs: | | | | |
| Elementary | | | \$ 19,669,755 | 9,891,048 |
| Middle/JHS | | | 8,496,935 | 4,221,325 |
| Middle/JHS-cocurricular | | | 119,018 | 33,058 |
| High School Programs | | | 12,517,653 | 6,251,280 |
| High School-cocurricular | | | 1,107,311 | 338,168 |
| Special alternative programs: | | | | |
| Talented and Gifted | | | 2,363 | 575 |
| Programs for Students with Disabilities | | | 3,075,332 | 1,864,144 |
| Resource room and other disabled | | | 3,995,996 | 2,159,804 |
| Remediation | | | 135,867 | 66,187 |
| Alternative Education | | | 24,388 | 11,331 |
| Charter School | | | - | - |
| English Second Language Learners | | | 2,680,485 | 1,407,091 |
| Designated Programs | | | 3,038 | 854 |
| Transportation Fees | | | 126,419 | 40,134 |
| Total Instruction | <u>94,507,681</u> | <u>95,227,681</u> (1) | <u>51,954,560</u> | <u>26,284,999</u> |
| Support Services: | | | | |
| Students: | | | | |
| Attendance and Social Work | | | 767,804 | 456,128 |
| Guidance services | | | 2,521,455 | 1,255,474 |
| Health Services | | | 448,632 | 143,182 |
| Psychological services | | | 257,567 | 109,048 |
| Speech Pathology and Audiology | | | 1,022,039 | 519,519 |
| Treatment, Student Services | | | 355,202 | 175,204 |
| Direction, Student Services | | | 971,926 | 455,829 |
| Improvement of Instruction Services | | | 2,398,457 | 1,279,681 |
| Assessment and Testing | | | 150,143 | 70,286 |
| Instructional Staff Development | | | 502,229 | 550,987 |
| Board of Education Services | | | - | - |
| Executive Administrative Services | | | 767,013 | 308,443 |
| Office of the Principal | | | 6,823,362 | 3,593,184 |
| Other Support Services | | | 51,063 | 6,877 |
| Business: | | | | |
| Direction of Business Support | | | 32,949 | 13,839 |
| Fiscal Services | | | 823,143 | 458,320 |
| Operation and maintenance | | | 4,556,118 | 2,694,284 |
| Student transportation | | | 5,258,117 | 3,479,191 |
| Internal services | | | 269,317 | 152,284 |
| Direction of Central Support Service | | | - | - |
| Information Services | | | 454,530 | 243,410 |
| Staff Services | | | 949,246 | 438,460 |
| Technology Services | | | 1,275,939 | 682,497 |
| Other Support Services | | | - | - |
| Supplemental Retirement | | | 615,915 | 422,440 |
| Total Support Services | <u>64,252,790</u> | <u>64,252,790</u> (1) | <u>31,272,166</u> | <u>17,508,567</u> |

(1) Appropriation Level

| PURCHASED SERVICES | SUPPLIES & MATERIALS | CAPITAL OUTLAY | OTHER OBJECTS | TOTAL | VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE) |
|--------------------|----------------------|----------------|------------------|-------------------|--|
| 14,501 | 991,238 | - | - | \$ 30,566,542 | \$ |
| 5,392 | 194,644 | - | - | 12,918,296 | |
| 1,788 | 13,354 | - | 20 | 167,238 | |
| 106,851 | 416,829 | - | 27,486 | 19,320,099 | |
| 156,798 | 113,060 | - | 59,911 | 1,775,248 | |
| 207 | 3,981 | - | - | 7,126 | |
| 1,706,716 | 33,027 | - | - | 6,679,219 | |
| 3,544 | 85,067 | - | - | 6,244,411 | |
| - | - | - | - | 202,054 | |
| 45,301 | 6,462 | - | - | 87,482 | |
| 8,446,833 | - | - | - | 8,446,833 | |
| 12,183 | 15,593 | - | - | 4,115,352 | |
| 508 | - | - | - | 4,400 | |
| - | 1,625 | - | - | 168,178 | |
| <u>10,500,622</u> | <u>1,874,880</u> | <u>-</u> | <u>87,417</u> | <u>90,702,478</u> | <u>4,525,203</u> |
| 377,645 | 10,877 | - | 694 | 1,613,148 | |
| 6,904 | 6,144 | - | 494 | 3,790,471 | |
| 6,600 | 5,605 | - | - | 604,019 | |
| 669 | 4,870 | - | - | 372,154 | |
| 17,269 | 9,792 | - | - | 1,568,619 | |
| 53,690 | 8,433 | - | - | 592,529 | |
| 2,487 | 4,892 | - | - | 1,435,134 | |
| 78,342 | 218,378 | - | 115 | 3,974,973 | |
| 8,413 | 2,145 | - | - | 230,987 | |
| 86,214 | 166,568 | - | 4,106 | 1,310,104 | |
| 258,885 | 10,115 | - | 25,571 | 294,571 | |
| 179,545 | 61,989 | - | 199 | 1,317,189 | |
| 43,279 | 226,301 | - | 864 | 10,686,990 | |
| 35,553 | 158 | - | 295 | 93,946 | |
| - | - | - | 10 | 46,798 | |
| 106,102 | 32,501 | - | 37,711 | 1,457,777 | |
| 4,564,977 | 1,007,672 | 95,610 | 421,523 | 13,340,184 | |
| 570,671 | 1,155,826 | - | 488,157 | 10,951,962 | |
| 453,075 | 7,561 | - | 2,075 | 884,312 | |
| 6,424 | - | - | - | 6,424 | |
| 183,728 | 25,581 | - | 7,339 | 914,588 | |
| 292,375 | 80,056 | - | 21,476 | 1,781,613 | |
| 547,425 | 1,057,494 | - | - | 3,563,355 | |
| - | (118) | - | - | (118) | |
| - | - | - | - | 1,038,355 | |
| <u>7,880,272</u> | <u>4,102,840</u> | <u>95,610</u> | <u>1,010,629</u> | <u>61,870,084</u> | <u>2,382,706</u> |

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGETARY BASIS
For the Year Ended June 30, 2016

| | <u>GENERAL FUND</u> | | | |
|--|----------------------------|-------------------------|----------------------|------------------------------|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>SALARIES</u> | <u>EMPLOYEE BENEFITS</u> |
| EXPENDITURES (continued): | | | | |
| Enterprise and Community Services | | | | |
| Community Service & Care of Children | \$ 44,647 | \$ 44,647 | \$ 12,798 | \$ 2,660 |
| Total Enterprise and Community Services | <u>44,647</u> | <u>44,647 (1)</u> | <u>12,798</u> | <u>2,660</u> |
| Facilities Acquisition and Construction: | | | | |
| Other Construction Services | <u>40,000</u> | <u>40,000</u> | <u>-</u> | <u>-</u> |
| Total Facilities Acquisition and Construction | <u>40,000</u> | <u>40,000</u> | <u>-</u> | <u>-</u> |
| Contingency | <u>9,373,310</u> | <u>6,678,310 (1)</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>168,218,428</u> | <u>166,243,428</u> | <u>\$ 83,239,524</u> | <u>\$ 43,796,226</u> |
| Excess of Revenues Over, (Under) Expenditures | <u>(8,830,937)</u> | <u>(6,855,937)</u> | | |
| Other Financing Sources, (Uses): | | | | |
| Transfers In | 439,741 | 439,741 | | |
| Transfers Out | <u>(2,630,556)</u> | <u>(4,605,556) (1)</u> | | |
| Total Other Financing Sources, (Uses) | <u>(2,190,815)</u> | <u>(4,165,815)</u> | | |
| Net Change in Fund Balance | (11,021,752) | (11,021,752) | | |
| Fund Balance, July 1, 2015 | <u>11,021,752</u> | <u>11,021,752</u> | | |
| Fund Balance, June 30, 2016 | <u>\$ -</u> | <u>\$ -</u> | | |

(1) Appropriation Level

| <u>PURCHASED SERVICES</u> | <u>SUPPLIES & MATERIALS</u> | <u>CAPITAL OUTLAY</u> | <u>OTHER OBJECTS</u> | <u>TOTAL</u> | <u>VARIANCE TO FINAL BUDGET FAVORABLE -UNFAVORABLE</u> |
|-------------------------------|-------------------------------------|---------------------------|--------------------------|----------------------|--|
| \$ 5,131 | \$ 320 | \$ - | \$ - | \$ 20,909 | \$ 23,738 |
| <u>5,131</u> | <u>320</u> | <u>-</u> | <u>-</u> | <u>20,909</u> | <u>23,738</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>40,000</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>40,000</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,678,310</u> |
| <u>\$ 18,386,025</u> | <u>\$ 5,978,040</u> | <u>\$ 95,610</u> | <u>\$ 1,098,046</u> | <u>152,593,471</u> | <u>13,649,957</u> |
| | | | | <u>8,173,686</u> | <u>15,029,623</u> |
| | | | | 367,000 | (72,741) |
| | | | | <u>(4,605,556)</u> | <u>-</u> |
| | | | | <u>(4,238,556)</u> | <u>(72,741)</u> |
| | | | | 3,935,130 | 14,956,882 |
| | | | | <u>17,423,780</u> | <u>6,402,028</u> |
| | | | | <u>\$ 21,358,910</u> | <u>\$ 21,358,910</u> |

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

| <u>SPECIAL REVENUE FUNDS</u> | | | | VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE) |
|---|----------------------------|-------------------------|-------------------|--|
| REVENUES: | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | |
| Federal grants | \$ 11,336,881 | \$ 11,336,881 | \$ 10,314,017 | \$ (1,022,864) |
| State and local sources | 4,965,430 | 4,965,430 | 4,655,644 | (309,786) |
| Total revenues | <u>16,302,311</u> | <u>16,302,311</u> | <u>14,969,661</u> | <u>(1,332,650)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction | 4,399,801 | 4,399,801 (1) | 4,377,199 | 22,602 |
| Support services | 7,800,898 | 7,800,898 (1) | 3,538,450 | 4,262,448 |
| Enterprise & community services | 6,626,006 | 6,626,006 (1) | 6,366,004 | 260,002 |
| Facilities Acquisition | 391,051 | 391,051 (1) | 66,751 | 324,300 |
| Total expenditures | <u>19,217,756</u> | <u>19,217,756</u> | <u>14,348,404</u> | <u>4,869,352</u> |
| Revenues over (under) expenditures | <u>(2,915,445)</u> | <u>(2,915,445)</u> | <u>621,257</u> | <u>3,536,702</u> |
| Other Financing Sources, (Uses): | | | | |
| Loan Receipts | 2,310,040 | 2,310,040 | 900,000 | (1,410,040) |
| Sale of Assets | - | - | 8,900 | 8,900 |
| Transfers In | 1,339,832 | 1,339,832 | 1,339,832 | - |
| Transfers out | (3,024,786) | (3,024,786) (1) | (2,952,045) | 72,741 |
| Total other financing sources | <u>625,086</u> | <u>625,086</u> | <u>(703,313)</u> | <u>(1,328,399)</u> |
| Net Change in Fund Balance | (2,290,359) | (2,290,359) | (82,056) | 2,208,303 |
| Fund Balance (Deficit), July 1, 2014 | <u>2,290,359</u> | <u>2,290,359</u> | <u>1,045,298</u> | <u>(1,245,061)</u> |
| Fund Balance (Deficit), June 30, 2015 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 963,242</u> | <u>\$ 963,242</u> |

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

| | <u>OTHER FUNDS</u> | | | VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE) |
|--|--------------------|------------------|------------------|--|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | |
| REVENUES: | | | | |
| State and Local Sources | \$ 7,385,079 | \$ 7,385,079 | \$ 7,403,172 | \$ 18,093 |
| Earnings from investments | 13,540 | 13,540 | 1,315 | (12,225) |
| Total revenues | <u>7,398,619</u> | <u>7,398,619</u> | <u>7,404,487</u> | <u>5,868</u> |
| EXPENDITURES: | | | | |
| Instruction | 6,368,224 | 6,368,224 (1) | 6,352,518 | 15,706 |
| Support Services | 978,355 | 978,355 (1) | 969,250 | 9,105 |
| Community Services | 201,000 | 201,000 (1) | 6,000 | 195,000 |
| Facility Acquisition | 1,647,563 | 1,647,563 (1) | - | 1,647,563 |
| Total expenditures | <u>9,195,142</u> | <u>9,195,142</u> | <u>7,327,768</u> | <u>1,867,374</u> |
| Net Change in Fund Balance | (1,796,523) | (1,796,523) | 76,719 | 1,873,242 |
| Fund Balance, July 1, 2015 (budgetary basis) | <u>1,835,023</u> | <u>1,835,023</u> | <u>10,215</u> | <u>(1,824,808)</u> |
| Fund Balance, June 30, 2016 (budgetary basis) | <u>\$ 38,500</u> | <u>\$ 38,500</u> | <u>\$ 86,934</u> | <u>\$ 48,434</u> |

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

COMMUNITY SERVICE FUND

| REVENUES: | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE) |
|-----------------------------------|--------------------|--------------------|-------------------|--|
| Revenue from Local Sources: | | | | |
| Tuition | \$ 25,600 | \$ 25,600 | \$ 48,547 | \$ 22,947 |
| Child Care | 1,000,000 | 1,000,000 | 1,196,377 | 196,377 |
| Rentals | 275,000 | 275,000 | 330,105 | 55,105 |
| Miscellaneous | - | - | 227 | 227 |
| Total Local Revenue | <u>1,300,600</u> | <u>1,300,600</u> | <u>1,575,256</u> | <u>274,656</u> |
| EXPENDITURES: | | | | |
| Support Services | 5,000 | 5,000 (1) | 2,482 | 2,518 |
| Enterprise and Community Services | 1,562,038 | 1,562,038 (1) | 1,557,935 | 4,103 |
| Contingency | <u>263,562</u> | <u>263,562 (1)</u> | <u>-</u> | <u>263,562</u> |
| Total Expenditures | <u>1,830,600</u> | <u>1,830,600</u> | <u>1,560,417</u> | <u>270,183</u> |
| Excess of Revenues Over, (Under) | | | | |
| Expenditures | <u>(530,000)</u> | <u>(530,000)</u> | <u>14,839</u> | <u>544,839</u> |
| Other Financing Sources, (Uses) | | | | |
| Transfers Out | <u>(25,000)</u> | <u>(25,000)</u> | <u>(25,000)</u> | <u>-</u> |
| Net Change in Fund Balance | (555,000) | (555,000) | (10,161) | 544,839 |
| Fund balance (deficit) | | | | |
| June 30, 2015 | <u>555,000</u> | <u>555,000</u> | <u>708,133</u> | <u>153,133</u> |
| Fund balance (deficit) | | | | |
| June 30, 2016 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 697,972</u> | <u>\$ 697,972</u> |

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12

CLACKAMAS COUNTY, OREGON

SUPPLEMENTARY INFORMATION

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

DEBT SERVICE FUND

| REVENUES: | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE) |
|---------------------------------------|----------------------------|-------------------------|---------------------|--|
| Taxes | \$ 28,051,232 | \$ 28,051,232 | \$ 28,697,308 | \$ 646,076 |
| Penalties and Interest on Taxes | 100,000 | 100,000 | 115,668 | 15,668 |
| Earnings from investments | 100,000 | 100,000 | 104,503 | 4,503 |
| Services Provided Other Funds | 9,864,523 | 9,864,523 | 9,687,052 | (177,471) |
| Total revenues | <u>38,115,755</u> | <u>38,115,755</u> | <u>38,604,531</u> | <u>488,776</u> |
| EXPENDITURES: | | | | |
| Debt service | <u>41,071,074</u> | <u>41,071,074</u> (1) | <u>39,525,479</u> | <u>1,545,595</u> |
| Total expenditures | <u>41,071,074</u> | <u>41,071,074</u> | <u>39,525,479</u> | <u>1,545,595</u> |
| Expenditures over revenues | <u>(2,955,319)</u> | <u>(2,955,319)</u> | <u>(920,948)</u> | <u>(1,056,819)</u> |
| Other Financing Sources, (Uses) | | | | |
| Bond Proceeds | | - | 91,435 | 91,435 |
| Transfers In | <u>2,500,820</u> | <u>2,500,820</u> | <u>2,500,820</u> | <u>-</u> |
| Total other financing sources, (uses) | <u>2,500,820</u> | <u>2,500,820</u> | <u>2,592,255</u> | <u>91,435</u> |
| Net Change in Fund Balance | (454,499) | (454,499) | 1,671,307 | 1,148,254 |
| Fund balance (deficit) | | | | |
| June 30, 2015 | <u>454,499</u> | <u>454,499</u> | <u>1,387,027</u> | <u>932,528</u> |
| June 30, 2016 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,058,334</u> | <u>\$ 3,058,334</u> |

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

| <u>CAPITAL PROJECTS FUND</u> | | | | VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE) |
|---|----------------------------|-------------------------|---------------------|--|
| REVENUES: | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | |
| Earnings from investments | \$ - | \$ - | \$ 13,878 | \$ 13,878 |
| Miscellaneous | 100,000 | 100,000 | 59,737 | (40,263) |
| Construction Excise Tax | 1,500,000 | 1,500,000 | 1,608,377 | 108,377 |
| Total revenues | <u>1,600,000</u> | <u>1,600,000</u> | <u>1,681,992</u> | <u>81,992</u> |
| EXPENDITURES: | | | | |
| Support Services | 1,459,408 | 1,459,408 (1) | 1,218,533 | 240,875 |
| Facilities Acquisition | 4,830,592 | 5,130,592 (1) | 5,241,068 | (110,476) |
| Total expenditures | <u>6,290,000</u> | <u>6,590,000</u> | <u>6,459,601</u> | <u>130,399</u> |
| Revenues over (under) expenditures | <u>(4,690,000)</u> | <u>(4,990,000)</u> | <u>(4,777,609)</u> | <u>212,391</u> |
| Other Financing Sources, (Uses) | | | | |
| Loan Receipts | 200,000 | 200,000 | - | (200,000) |
| Sale of fixed assets | 1,800,000 | 1,800,000 | - | (1,800,000) |
| Transfers In | 1,109,949 | 1,409,949 | 3,084,949 | 1,675,000 |
| Transfers Out | (210,000) | (210,000) (1) | (210,000) | - |
| Total other financing sources | <u>2,899,949</u> | <u>3,199,949</u> | <u>2,874,949</u> | <u>(325,000)</u> |
| Net Change in Fund Balance | (1,790,051) | (1,790,051) | (1,902,660) | (112,609) |
| Fund balance (deficit) June 30, 2015 | <u>1,790,051</u> | <u>1,790,051</u> | <u>6,201,821</u> | <u>4,411,770</u> |
| Fund balance (deficit) June 30, 2016 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,299,161</u> | <u>\$ 4,299,161</u> |

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

| | <u>SELF-INSURANCE FUND</u> | | | VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE) |
|---|----------------------------|-----------------------|---------------------|--|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | |
| REVENUES: | | | | |
| Recovery Stop Loss | \$ 150,000 | \$ 150,000 | \$ 302,636 | \$ 152,636 |
| RX America Refund | 150,000 | 150,000 | 162,920 | 12,920 |
| Service Provided Other Funds | 32,574,978 | 32,574,978 | 27,917,484 | (4,657,494) |
| Earnings from Investments | 35,500 | 35,500 | 56,958 | 21,458 |
| Miscellaneous | 56,000 | 56,000 | 26,050 | (29,950) |
| Total revenues | <u>32,966,478</u> | <u>32,966,478</u> | <u>28,466,048</u> | <u>(4,500,430)</u> |
| EXPENDITURES: | | | | |
| Support services - self-insured losses and claims | <u>40,359,777</u> | <u>40,359,777</u> (1) | <u>31,949,540</u> | <u>8,410,237</u> |
| Total expenditures | <u>40,359,777</u> | <u>40,359,777</u> | <u>31,949,540</u> | <u>8,410,237</u> |
| Expenditures over revenues | <u>(7,393,299)</u> | <u>(7,393,299)</u> | <u>(3,483,492)</u> | <u>3,909,807</u> |
| Other Financing Sources, (Uses) | | | | |
| Transfers In | <u>500,000</u> | <u>500,000</u> | <u>500,000</u> | <u>-</u> |
| Net Change in Fund Balance | (6,893,299) | (6,893,299) | (2,983,492) | 3,909,807 |
| Fund Balance, July 1, 2015 (budgetary basis) | <u>6,893,299</u> | <u>6,893,299</u> | <u>10,968,718</u> | <u>4,075,419</u> |
| Fund Balance, June 30, 2016 (budgetary basis) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,985,226</u> | <u>\$ 7,985,226</u> |

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
For the Year Ended June 30, 2016

| <u>STUDENT ACTIVITY FUND</u> | <u>BALANCES</u> <u>JULY 1, 2015</u> | <u>ADDITIONS</u> | <u>DEDUCTIONS</u> | <u>BALANCES</u> <u>JUNE 30, 2016</u> |
|------------------------------|--|------------------|-------------------|---|
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 1,991,478 | \$ 4,259,818 | \$ 4,245,900 | \$ 2,005,396 |
| <u>LIABILITIES</u> | | | | |
| Due to student groups | 1,991,478 | 4,259,818 | 4,245,900 | 2,005,396 |
| Total liabilities | \$ 1,991,478 | \$ 4,259,818 | \$ 4,245,900 | \$ 2,005,396 |

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2016

| TAX YEAR | UNCOLLECTED 7/1/2015 | LEVY AS EXTENDED BY ASSESSOR | DISCOUNTS ALLOWED | INTEREST | ADJUSTMENTS | COLLECTIONS | UNCOLLECTED 6/30/2016 |
|---|-------------------------|------------------------------------|----------------------|-------------------|---------------------|----------------------|--------------------------|
| GENERAL FUND: | | | | | | | |
| Current 2015-2016 | \$ - | \$ 59,069,176 | 1,517,521 | 25,505 | (84,498) | 56,173,980 | \$ 1,293,177 |
| Prior 2014-2015 | 1,298,229 | - | (327) | 52,860 | (22,938) | 585,769 | 689,849 |
| 2013-2014 | 649,191 | - | (70) | 43,758 | (3,857) | 201,016 | 444,388 |
| 2012-2013 | 472,699 | - | (55) | 60,470 | (2,765) | 176,095 | 293,894 |
| 2011-2012 | 306,615 | - | (8) | 34,604 | (1,121) | 82,738 | 222,764 |
| 2010-2011 & Prior | 454,005 | - | (7) | 15,225 | (2,003) | 27,224 | 424,785 |
| Total prior | 3,180,739 | - | (467) | 206,917 | (32,684) | 1,072,842 | 2,075,680 |
| Total General Fund | <u>\$ 3,180,739</u> | <u>\$ 59,069,176</u> | <u>\$ 1,517,054</u> | <u>\$ 232,422</u> | <u>\$ (117,182)</u> | <u>\$ 57,246,822</u> | <u>\$ 3,368,857</u> |
| RECONCILIATION TO REVENUE (GENERAL FUND): | | | | | | | |
| Cash Collections by County Treasurers Above | | | | | | | \$ 57,246,822 |
| Allocated to Debt Service | | | | | | | (110,269) |
| Other Taxes | | | | | | | 9,118 |
| Total Revenue | | | | | | | <u>\$ 57,145,671</u> |
| DEBT SERVICE FUND | | | | | | | |
| Current 2015-2016 | \$ - | \$ 29,539,574 | 758,889 | 12,755 | (42,256) | 28,091,731 | \$ 646,698 |
| Prior 2014-2015 | 538,981 | - | (136) | 21,946 | (9,523) | 243,192 | 286,402 |
| 2013-2014 | 317,620 | - | (34) | 21,409 | (1,887) | 98,348 | 217,419 |
| 2012-2013 | 237,148 | - | (27) | 30,336 | (1,387) | 88,345 | 147,443 |
| 2011-2012 | 181,154 | - | (5) | 20,444 | (663) | 48,884 | 131,612 |
| 2010-2011 & Prior | 199,450 | - | (3) | 6,688 | (880) | 11,960 | 186,613 |
| Total prior | 1,474,353 | - | (205) | 100,823 | (14,340) | 490,729 | 969,489 |
| Total Debt Service Fund | <u>\$ 1,474,353</u> | <u>\$ 29,539,574</u> | <u>\$ 758,684</u> | <u>\$ 113,578</u> | <u>\$ (56,596)</u> | <u>\$ 28,582,460</u> | <u>\$ 1,616,187</u> |
| Total all funds | <u>\$ 4,655,092</u> | <u>\$ 88,608,750</u> | <u>\$ 2,275,738</u> | <u>\$ 346,000</u> | <u>\$ (173,778)</u> | <u>\$ 85,829,282</u> | <u>\$ 4,985,044</u> |
| RECONCILIATION TO REVENUE (DEBT SERVICE FUND): | | | | | | | |
| Cash Collections by County Treasurers Above | | | | | | | \$ 28,582,460 |
| Allocated from General Fund | | | | | | | 110,269 |
| Other Taxes | | | | | | | 4,579 |
| Total Revenue | | | | | | | <u>\$ 28,697,308</u> |



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December 20, 2016

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of North Clackamas School District No. 12 as of and for the year ended June 30, 2016, and have issued our report thereon dated December 20, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether North Clackamas School District No. 12's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe North Clackamas School District No. 12 was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following:

1. There was one instance where actual expenditures exceeded appropriations, as noted on page 29.

OAR 162-10-0230 Internal Control

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

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



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

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

GRANT COMPLIANCE REVIEW

NORTH CLACKAMAS SCHOOL DISTRICT
CLACKAMAS COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

| <u>Program Title</u> | <u>Pass Through Organization</u> | <u>Federal CFDA Number</u> | <u>Pass Through Entity Number</u> | <u>Period Covered</u> | <u>Expenditures</u> |
|---|--------------------------------------|----------------------------|-----------------------------------|-----------------------|----------------------|
| U.S. Department of Education | | | | | |
| Title IA Grants to Local Educational Agencies | Oregon Department of Education | 84.010 | 32640 | 07/01/14 - 09/30/16 | 333,414 |
| | Oregon Department of Education | 84.010 | 36031 | 07/01/15 - 09/30/16 | 1,847,524 |
| | Oregon Department of Education | 84.010 | 37537 | 07/01/15 - 09/30/16 | <u>35,613</u> |
| Total Title I Grants to Local Education Agencies | | | | | <u>2,216,551</u> |
| English Language Acquisition State Grants | Oregon Department of Education | 84.365 | 35018 | 07/01/14 - 09/30/16 | 2,495 |
| | Oregon Department of Education | 84.365 | 36345 | 07/01/15 - 09/30/16 | <u>196,375</u> |
| Total English Language Acquisition State Grants | | | | | <u>198,871</u> |
| Supporting Effective Instruction State Grants | Oregon Department of Education | 84.367 | 32964 | 07/01/14 - 09/30/16 | 83,701 |
| | Oregon Department of Education | 84.367 | 32964 | 07/01/14 - 09/30/16 | 23,130 |
| | Oregon Department of Education | 84.367 | 36228 | 07/01/15 - 09/30/16 | <u>380,581</u> |
| Total Supporting Effective Instruction State Grants | | | | | <u>487,412</u> |
| Special Education Cluster | | | | | |
| IDEA, Part B - Special Education, Grants to States | | | | | |
| IDEA, Part B - Special Education | Oregon Department of Education | 84.027 | 36929 | 07/01/15 - 09/30/17 | 2,849,764 |
| IDEA Enhancement 15-16 | Oregon Department of Education | 84.027 | 38385 | 10/01/15 - 09/30/16 | 12,731 |
| IDEA Extended Assessment 15-16 | Oregon Department of Education | 84.027 | 35783 | 07/01/15 - 06/30/16 | 8,100 |
| SPR & I | Oregon Department of Education | 84.027 | 37945 | 08/01/15 - 06/30/16 | <u>10,419</u> |
| Total IDEA, Part B - Special Education, Grants to States | | | | | 2,881,014 |
| Special Education Preschool Grants | Oregon Department of Education | 84.173 | 33504 | 07/01/14 - 09/30/16 | <u>8,618</u> |
| Total Special Education Cluster | | | | | <u>2,889,632 (1)</u> |
| 21st Century Community Learning Centers | Oregon Department of Education | 84.287 | 36389 | 07/01/15 - 09/30/17 | 18,653 |
| | Oregon Department of Education | 84.287 | 32277 | 07/01/14 - 09/30/16 | 135,255 |
| | Oregon Department of Education | 84.287 | 36389 | 07/01/15 - 09/30/17 | <u>267,902</u> |
| Total 21st Century Community Learning Centers | | | | | <u>421,810</u> |
| Special Education - State Personnel Development | Oregon Department of Education | 84.323 | 34437 | 09/01/14 - 06/30/15 | 4,539 |
| | Oregon Department of Education | 84.323 | 27763 | 07/01/13 - 01/15/16 | <u>2,721</u> |
| Total Special Education - State Personnel Development | | | | | <u>7,260</u> |
| School District Collaboration Design | Oregon Department of Education | 99.998 | 38194 | 07/01/15 - 06/30/17 | <u>24,568</u> |
| Migrant Education State Grant Program | Clackamas Education Service District | 84.011 | 37712 | 09/01/15 - 06/30/16 | <u>8,497</u> |
| Career and Technical Education -- Basic Grants to States | | | | | |
| | Clackamas Education Service District | 84.048 | 31753 | 09/01/15 - 09/30/16 | 34,412 |
| | Clackamas Education Service District | 84.048 | 36400 | 09/01/15 - 09/30/16 | <u>56,587</u> |
| Total Career and Technical Education | | | | | <u>90,999</u> |
| Total U.S. Department of Education | | | | | <u>6,345,599</u> |
| U.S. Department of Labor | | | | | |
| Workforce Investment Act Youth Activities | US DEPARTMENT OF LABOR | 17.259 | 15-16-2 | 07/01/15-06/30/16 | <u>64,657</u> |
| U.S. Department of Health & Human Services | | | | | |
| Child Care Development Block Grant | Oregon Department of Education | 93.575 | ODE/OCC 14-036 | 07/01/15- 06/30/16 | <u>89,118</u> |
| Total U.S. Department of Health & Human Services | | | | | <u>89,118</u> |
| U.S. Department of Agriculture: | | | | | |
| Child Nutrition Cluster: | | | | | |
| Donated Commodities (Non-Cash Assistance) | Oregon Department of Education | 10.555 | N/A | 07/01/15 - 06/30/16 | 374,812 |
| School Breakfast Program | Oregon Department of Education | 10.553 | N/A | 07/01/15 - 06/30/16 | 638,350 |
| National School Lunch Program | Oregon Department of Education | 10.555 | N/A | 07/01/15 - 06/30/16 | 2,649,224 |
| Summer Food Program for Children | Oregon Department of Education | 10.559 | N/A | 07/01/15 - 06/30/16 | <u>41,270</u> |
| Total Child Nutrition Cluster | | | | | <u>3,703,656</u> |
| Child and Adult Care Food Program | Oregon Department of Education | 10.558 | N/A | 07/01/15 - 06/30/16 | <u>55,108</u> |

(1) Major Program

| | | | | | |
|---|--|--------|-------|---------------------|---------------|
| Fresh Fruit & Vegetable Program | Oregon Department of Education | 10.582 | 38620 | 07/01/15 - 06/30/16 | 1,629 |
| | Oregon Department of Education | 10.582 | 38620 | 07/01/15 - 06/30/16 | 1,398 |
| | Oregon Department of Education | 10.582 | 38620 | 07/01/15 - 06/30/16 | 1,838 |
| | Oregon Department of Education | 10.582 | 38620 | 07/01/15 - 06/30/16 | 2,313 |
| | Oregon Department of Education | 10.582 | 38620 | 07/01/15 - 06/30/16 | 2,108 |
| | Oregon Department of Education | 10.582 | 38620 | 07/01/15 - 06/30/16 | 2,588 |
| | Oregon Department of Education | 10.582 | 38620 | 07/01/15 - 06/30/16 | 2,527 |
| | Oregon Department of Education | 10.582 | 38621 | 07/01/15 - 06/30/16 | 1,394 |
| | Oregon Department of Education | 10.582 | 38621 | 07/01/15 - 06/30/16 | 1,287 |
| | Oregon Department of Education | 10.582 | 38621 | 07/01/15 - 06/30/16 | 1,755 |
| | Oregon Department of Education | 10.582 | 38621 | 07/01/15 - 06/30/16 | 2,158 |
| | Oregon Department of Education | 10.582 | 38621 | 07/01/15 - 06/30/16 | 2,132 |
| | Oregon Department of Education | 10.582 | 38621 | 07/01/15 - 06/30/16 | 2,561 |
| | Oregon Department of Education | 10.582 | 38621 | 07/01/15 - 06/30/16 | 990 |
| | Oregon Department of Education | 10.582 | 38622 | 07/01/15 - 06/30/16 | 1,806 |
| | Oregon Department of Education | 10.582 | 38622 | 07/01/15 - 06/30/16 | 1,597 |
| | Oregon Department of Education | 10.582 | 38622 | 07/01/15 - 06/30/16 | 1,993 |
| | Oregon Department of Education | 10.582 | 38622 | 07/01/15 - 06/30/16 | 2,430 |
| | Oregon Department of Education | 10.582 | 38622 | 07/01/15 - 06/30/16 | 2,322 |
| | Oregon Department of Education | 10.582 | 38622 | 07/01/15 - 06/30/16 | 3,049 |
| | Oregon Department of Education | 10.582 | 38622 | 07/01/15 - 06/30/16 | 3,111 |
| | Oregon Department of Education | 10.582 | 38622 | 07/01/15 - 06/30/16 | 145 |
| | Oregon Department of Education | 10.582 | 33930 | 07/01/15 - 06/30/16 | 1,523 |
| | Oregon Department of Education | 10.582 | 33931 | 07/01/15 - 06/30/16 | 1,668 |
| | Oregon Department of Education | 10.582 | 33931 | 07/01/15 - 06/30/16 | 1,398 |
| | Oregon Department of Education | 10.582 | 33932 | 07/01/15 - 06/30/16 | 61 |
| | Oregon Department of Education | 10.582 | 33932 | 07/01/15 - 06/30/16 | 1,298 |
| | Oregon Department of Education | 10.582 | 36634 | 07/01/15 - 09/30/15 | 1,986 |
| | Oregon Department of Education | 10.582 | 36636 | 07/01/15 - 09/30/15 | 1,977 |
| | Oregon Department of Education | 10.582 | 36635 | 07/01/15 - 09/30/15 | 1,871 |
| | Oregon Department of Education | 10.582 | 34568 | 07/01/15 - 09/30/15 | 967 |
| | Total Fresh Fruit & Vegetable | | | | <u>55,880</u> |
| Schools and Roads - Grants to States | Clackamas and Multnomah Counties | 10.665 | N/A | 07/01/15 - 06/30/16 | <u>97,719</u> |
| Total U.S. Department of Agriculture | | | | <u>3,912,363</u> | |
| Total Expenditures of Federal Awards | | | | <u>10,411,736</u> | |



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December 20, 2016

To the Board of Directors
North Clackamas School District No. 12

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Clackamas School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 20, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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



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December 20, 2016

To the Board of Directors
North Clackamas School District No. 12

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited North Clackamas School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2016. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, North Clackamas School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

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

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

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of Auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Noncompliance material to financial statements noted? Yes No

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 515(d)(2) of the Uniform Guidance? Yes No

FEDERAL AWARDS

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance? Yes No

Identification of major programs

CFDA Number(s):
84.027, 84.173

Name of Federal Program:
Special Education Cluster (IDEA)

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity under programs of the federal government. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the net position, changes in net position, or cash flows of the entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The entity has not elected to use the ten percent de minimus indirect cost rate as allowed under Uniform Guidance, due to the fact that they already have a negotiated indirect cost rate with Oregon Department of Education, and thus is not allowed to use the de minimus rate.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

OTHER INFORMATION

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

FUTURE MATURITIES OF LONG TERM DEBT
For the Year Ended June 30, 2016

| Year | Key Bank No. 9 | | Key Bank No. 10 | | Key Bank No. 11 | |
|-----------|-------------------|-----------------|-------------------|------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016-2017 | 143,860 | 3,187 | 453,053 | 34,407 | 359,609 | 67,684 |
| 2017-2018 | - | - | 472,420 | 15,040 | 379,216 | 48,077 |
| 2018-2019 | - | - | - | - | 399,892 | 27,401 |
| 2019-2020 | - | - | - | - | 208,052 | 5,597 |
| | <u>\$ 143,860</u> | <u>\$ 3,187</u> | <u>\$ 925,473</u> | <u>\$ 49,447</u> | <u>\$ 1,346,769</u> | <u>\$ 148,759</u> |

| Year | Key Bank No. 12 | | Key Bank No. 13 | | Key Bank No. 14 | |
|-----------|-------------------|------------------|---------------------|------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016-2017 | 137,966 | 23,732 | 162,263 | 25,739 | 106,237 | 27,280 |
| 2017-2018 | 141,827 | 19,871 | 166,132 | 21,870 | 109,222 | 24,296 |
| 2018-2019 | 145,798 | 15,900 | 170,092 | 17,910 | 112,290 | 21,228 |
| 2019-2020 | 149,879 | 11,819 | 174,147 | 13,855 | 115,445 | 18,072 |
| 2020-2021 | 154,075 | 7,623 | 178,299 | 9,703 | 118,688 | 14,829 |
| 2021-2026 | 158,388 | 3,310 | 275,449 | 6,554 | 442,289 | 25,022 |
| | <u>\$ 887,933</u> | <u>\$ 82,255</u> | <u>\$ 1,126,382</u> | <u>\$ 95,631</u> | <u>\$ 1,004,171</u> | <u>\$ 130,727</u> |

| Year | Key Bank No. 15 | | US Bank | | Altamont Lid | |
|-----------|-------------------|-------------------|---------------------|------------------|------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016-2017 | 80,699 | 23,657 | 2,249,147 | 42,961 | 15,488 | 4,644 |
| 2017-2018 | 83,106 | 21,250 | - | - | 15,488 | 3,405 |
| 2018-2019 | 85,581 | 18,775 | - | - | 15,488 | 2,166 |
| 2019-2020 | 88,136 | 16,220 | - | - | 15,486 | 926 |
| 2020-2021 | 90,764 | 13,592 | | | | |
| 2021-2025 | 390,945 | 26,479 | | | | |
| | <u>\$ 819,231</u> | <u>\$ 119,973</u> | <u>\$ 2,249,147</u> | <u>\$ 42,961</u> | <u>\$ 61,950</u> | <u>\$ 11,141</u> |

| Year | PERS Bond #1 | | PERS Bond #2 | | 2004 Refunding Bonds | |
|-----------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016-2017 | 1,036,771 | 3,461,916 | 1,698,777 | 4,018,445 | 9,110,000 | 947,000 |
| 2017-2018 | 1,054,791 | 3,673,897 | 1,692,268 | 4,314,955 | 9,830,000 | 491,500 |
| 2018-2019 | 1,069,845 | 3,898,842 | 1,680,438 | 4,621,785 | - | - |
| 2019-2020 | 1,080,969 | 4,137,718 | 1,673,078 | 4,944,145 | - | - |
| 2020-2021 | - | - | 1,662,080 | 5,280,143 | - | - |
| 2021-2026 | 24,580,000 | 7,136,893 | 23,925,323 | 16,159,464 | - | - |
| 2026-2028 | 9,885,000 | 772,887 | 12,510,000 | 938,903 | - | - |
| | <u>\$ 38,707,376</u> | <u>\$ 23,082,153</u> | <u>\$ 44,841,964</u> | <u>\$ 40,277,840</u> | <u>\$ 18,940,000</u> | <u>\$ 1,438,500</u> |

| Year | 2011 Refunding Bonds | | 2007 GO Bonds | | 2014 Refunding Bonds | |
|-----------|----------------------|-------------------|---------------------|-------------------|-----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016-2017 | - | 143,614 | 8,040,000 | 402,000 | 845,000 | 7,930,700 |
| 2017-2018 | - | 143,614 | - | - | 180,000 | 7,913,800 |
| 2018-2019 | - | 143,614 | - | - | 5,885,000 | 7,908,400 |
| 2019-2020 | - | 143,614 | - | - | 6,765,000 | 7,624,150 |
| 2020-2021 | 3,490,000 | 143,614 | - | - | 7,710,000 | 7,295,900 |
| 2021-2026 | - | - | - | - | 55,295,000 | 29,734,700 |
| 2026-2031 | - | - | - | - | 91,860,000 | 12,717,850 |
| 2031-2032 | - | - | - | - | - | - |
| | <u>\$ 3,490,000</u> | <u>\$ 718,070</u> | <u>\$ 8,040,000</u> | <u>\$ 402,000</u> | <u>\$ 168,540,000</u> | <u>\$ 81,125,500</u> |

| 2016 Refunding Bonds | | |
|----------------------|----------------------|----------------------|
| Year | Principal | Interest |
| 2016-2017 | 1,435,000 | 913,300 |
| 2017-2018 | - | 884,600 |
| 2018-2019 | 260,000 | 884,600 |
| 2019-2020 | 265,000 | 877,450 |
| 2020-2021 | 270,000 | 874,800 |
| 2021-2026 | 1,510,000 | 4,203,800 |
| 2026-2031 | 1,840,000 | 3,876,200 |
| 2031-2032 | 18,250,000 | 730,000 |
| | <u>\$ 23,830,000</u> | <u>\$ 13,244,750</u> |

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

STATISTICAL SECTION

NORTH CLACKAMAS SCHOOL DISTRICT 12
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

| | <u>2015-16</u> | <u>2014-15*</u> | <u>2013-14</u> | <u>2012-13</u> |
|---------------------------------------|----------------------|---------------------|----------------------|----------------------|
| Governmental activities: | | | | |
| Net investment in capital assets | \$ 62,543,176 | 51,288,143 | \$ 81,726,027 | \$ 76,044,983 |
| Restricted | 8,320,737 | 8,634,146 | 12,650,009 | 13,639,570 |
| Unrestricted | <u>(59,616,903)</u> | <u>(35,441,604)</u> | <u>(14,795,128)</u> | <u>(24,485,940)</u> |
| Total primary government net position | <u>\$ 11,247,010</u> | <u>24,480,685</u> | <u>\$ 79,580,908</u> | <u>\$ 65,198,613</u> |

*as restated for GASB 68

Source: North Clackamas School District 12JT financial records.

| <u>2011-12</u> | <u>2010-11</u> | <u>2009-10</u> | <u>2008-09</u> | <u>2007-08</u> | <u>2006-07</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 93,717,904 | \$ 85,124,788 | \$ 71,396,172 | \$ 67,381,808 | \$ 55,963,940 | \$ 27,447,340 |
| 15,346,184 | 12,202,757 | 1,054,501 | 2,136,818 | 2,991,578 | 3,410,442 |
| <u>(42,569,534)</u> | <u>(45,826,740)</u> | <u>(27,440,851)</u> | <u>(22,950,639)</u> | <u>(20,237,582)</u> | <u>(19,120,797)</u> |
| <u>\$ 66,494,554</u> | <u>\$ 51,500,805</u> | <u>\$ 45,009,822</u> | <u>\$ 46,567,987</u> | <u>\$ 38,717,936</u> | <u>\$ 11,736,985</u> |

NORTH CLACKAMAS SCHOOL DISTRICT 12

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

| | 2015-16(1) | 2014-15(1) | 2013-14(1) | 2012-13(1) |
|------------------------------------|----------------------|-------------------|----------------------|---------------------|
| General Fund (1) | | | | |
| Unassigned | \$ 21,358,910 | 17,423,780 | \$ 11,437,858 | \$ 6,719,640 |
| Unreserved | - | - | - | - |
| Total general fund | <u>\$ 21,358,910</u> | <u>17,423,780</u> | <u>\$ 11,437,858</u> | <u>\$ 6,719,640</u> |
| All Other Governmental Funds(1) | | | | |
| Nonspendable--Inventory | - | - | - | 44,012 |
| Restricted for: | | | | |
| Future Capital Projects | \$ 4,299,161 | 6,201,821 | \$ 6,424,943 | \$ 6,692,229 |
| Special Grants and Services | 963,242 | 1,045,298 | 1,989,165 | 2,442,343 |
| Debt Service | 3,058,334 | 1,387,027 | 4,235,901 | 4,504,998 |
| Planning activities | - | - | - | - |
| Other activities | - | - | - | - |
| Committed to: | | | | |
| Restoration of School Days | - | - | - | - |
| Community Projects and Classes | 697,972 | 708,133 | 643,584 | 422,879 |
| Assigned to: | | | | |
| Unspecified | - | - | - | - |
| Reserved for: | | | | |
| Capital Projects | - | - | - | - |
| Reserve for Scholarships | - | - | - | - |
| Unreserved, reported in: | | | | |
| Debt Service Fund | - | - | - | - |
| Communtiy Service Fund | - | - | - | - |
| Scholarship fund | 86,934 | 10,215 | (212,990) | (179,060) |
| Special revenue funds | - | - | - | - |
| Capital Projects Fund | - | - | - | - |
| Total all other governmental funds | <u>\$ 9,105,643</u> | <u>9,352,494</u> | <u>\$ 13,080,603</u> | <u>13,927,401</u> |

(1) GASB 54 implemented - requiring new fund balance categories. Over time all fund balances will be reported under new GASB 54 fund balance categories.

(2) Assigned/Reserved for capital expenditures fluctuate from years when bonds are sold in anticipation of capital construction to years where capital expenditures are made.

| <u>2011-12(1)</u> | <u>2010-11(1)</u> | <u>2009-10</u> | <u>2008-09</u> | <u>2007-08</u> | <u>2006-07</u> |
|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 10,118,425 | \$ 3,103,710 | - | - | - | - |
| - | - | \$ 3,615,826 | \$ 5,795,923 | \$ 7,479,508 | \$ 5,619,332 |
| <u>\$ 10,118,425</u> | <u>\$ 3,103,710</u> | <u>\$ 3,615,826</u> | <u>\$ 5,795,923</u> | <u>\$ 7,479,508</u> | <u>\$ 5,619,332</u> |
| 74,797 | 333,800 | - | - | - | - |
| \$ 10,458,546 | \$ 11,700,310 | \$ - | \$ - | \$ - | \$ - |
| 796,760 | 502,447 | - | - | - | - |
| 4,090,878 | (529,192) | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 1,200,000 | - | - | - | - |
| 283,919 | 108,871 | - | - | - | - |
| - | 2,000,000 | - | - | - | - |
| - | - | 29,312,230 | 76,600,001 | 186,704,084 | 239,418,253 |
| - | - | - | - | 249,897 | 228,068 |
| - | - | 1,054,501 | 2,136,818 | 2,991,578 | 3,410,442 |
| - | - | 28,354 | 90,503 | 143,492 | 78,696 |
| (258,928) | (139,494) | (293,816) | (95,168) | (492,332) | - |
| - | - | 2,254,603 | 2,512,317 | 1,450,911 | 855,380 |
| - | - | - | - | - | - |
| <u>15,445,972</u> | <u>15,176,742</u> | <u>32,355,872</u> | <u>81,244,471</u> | <u>191,047,630</u> | <u>243,990,839</u> |

NORTH CLACKAMAS SCHOOL DISTRICT 12
TAXABLE PROPERTY VALUES
Last Ten Fiscal Years

| FISCAL YEAR | PROPERTY VALUE ASSESSED VALUATION(1) | | | | TOTAL DIRECT TAX RATE(2) |
|-------------|--------------------------------------|--------------------------|---------------------------|----------------|--------------------------|
| | REAL MARKET VALUE | TOTAL ASSESSED VALUATION | LESS URBAN RENEWAL EXCESS | TOTAL | |
| 2015-16 | \$ 11,833,617,732 | 12,517,679,363 | 169,607,486 | 12,348,071,877 | 7.241 |
| 2014-15 | \$ 11,281,017,275 | 11,931,103,331 | 141,751,946 | 11,789,351,385 | \$ 6.8154 |
| 2013-14 | 10,764,664,764 | 11,387,758,910 | 119,971,829 | 11,267,787,081 | 7.0852 |
| 2012-13 | 12,767,620,456 | 11,387,758,910 | 119,971,829 | 11,267,787,081 | 7.1184 |
| 2011-12 | 12,442,681,334 | 10,725,351,614 | 627,865,298 | 10,097,486,316 | 7.577 |
| 2010-11 | 13,229,281,939 | 10,529,130,436 | 659,911,782 | 9,869,218,654 | 6.9554 |
| 2009-10 | 14,733,416,918 | 10,295,166,453 | 638,971,735 | 9,656,194,718 | 6.8789 |
| 2008-09 | 16,452,188,324 | 9,860,466,765 | 548,171,538 | 9,312,295,227 | 7.8246 |
| 2007-08 | 13,416,337,408 | 9,265,112,552 | 467,480,361 | 8,797,632,191 | 6.8913 |
| 2006-07 | 13,416,337,408 | 8,644,036,618 | 412,748,527 | 8,231,288,091 | 6.0389 |

(1) Clackamas County Tax Supervising and Conservation Commission

(2) per \$1,000 of assessed value.

Source: Clackamas County Department of Assessment and Taxation

NORTH CLACKAMAS SCHOOL DISTRICT 12
LARGEST TAXPAYERS WITHIN DISTRICT
CURRENT AND NINE YEARS AGO

| | <u>2016</u> | | | <u>2007</u> | | |
|------------------------------|--------------------------|--|----------|-------------------------|--|----------|
| | ASSESSSED VALUATION | PERCENTAGE OF TOTAL DISTRICT'S ASSESSSED VALUATION | | ASSESSSED VALUATION | PERCENTAGE OF TOTAL DISTRICT'S ASSESSSED VALUATION | |
| PRIVATE ENTERPRISES | | | | | | |
| General Growth Properties | 249,221,847 | 1.99 | % | 135,592,867 | 1.57 | % |
| Clackamas Baking Plant | 134,221,980 | 1.07 | % | 127,867,323 | 1.48 | % |
| PCC Structural Inc | 129,845,446 | 1.04 | % | 83,208,044 | 0.96 | % |
| Portland General Electric Co | 102,628,000 | 0.82 | % | 54,506,000 | 0.63 | % |
| Comcast | 84,430,100 | 0.67 | % | - | 0.00 | % |
| Marvin F Poer & Company | 73,854,510 | 0.59 | % | 53,539,413 | 0.62 | % |
| Safeway Canada Hold Inc | - | 0.00 | % | 46,387,977 | 0.54 | % |
| Blount Inc | 60,736,094 | 0.49 | % | 43,643,091 | 0.50 | % |
| Warn Industries Inc | - | 0.00 | % | 42,489,000 | 0.49 | % |
| Kaiser Foundation Hospital | 59,366,621 | 0.47 | % | 40,023,436 | 0.46 | % |
| Nortwest Natural Gas Co | - | 0.00 | % | 39,259,188 | 0.45 | % |
| ROIC Oregon LLC | 56,373,662 | 0.45 | % | - | 0.00 | % |
| WH Portland Industrial LLC | 54,559,000 | 0.44 | % | - | 0.00 | % |
| SUB TOTAL | <u>1,005,237,260</u> | <u>8.03</u> | <u>%</u> | <u>666,516,339</u> | <u>7.71</u> | <u>%</u> |
| ALL OTHER TAXPAYERS | <u>11,512,442,103</u> | <u>91.97</u> | <u>%</u> | <u>7,977,520,279</u> | <u>92.29</u> | <u>%</u> |
| TOTAL | <u>\$ 12,517,679,363</u> | <u>100.00</u> | <u>%</u> | <u>\$ 8,644,036,618</u> | <u>100.00</u> | <u>%</u> |

Source: Multnomah County Department of Assessment and Taxation

NORTH CLACKAMAS SCHOOL DISTRICT 12
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
Last Five Years

| | <u>Dollars per \$1,000 True Cash Value</u> | | | | |
|--|--|-----------------|-----------------|-----------------|-----------------|
| | <u>2015-16</u> | <u>2014-15</u> | <u>2013-14</u> | <u>2012-13</u> | <u>2011-12</u> |
| DIRECT: | | | | | |
| North Clackamas School District Permanent Rate | \$ 4.87 | \$ 4.87 | \$ 4.87 | \$ 4.87 | \$ 4.87 |
| North Clackamas School District Bond | 2.37 | 1.95 | 2.22 | 2.25 | 2.71 |
| Weighted Average Direct (1) | <u>\$ 7.24</u> | <u>\$ 6.82</u> | <u>\$ 7.09</u> | <u>\$ 7.12</u> | <u>\$ 7.58</u> |
| Overlapping: | | | | | |
| City of Gladstone | 5.81 | 5.81 | 5.81 | 5.81 | 5.81 |
| City of Happy Valley | 2.05 | 2.05 | 2.05 | 2.05 | 2.05 |
| City of Milwaukie | 4.28 | 4.27 | 4.07 | 4.07 | 4.07 |
| City of Portland | 7.76 | 7.89 | 7.98 | 7.81 | 7.69 |
| Clackamas Community College | 0.75 | 0.71 | 0.71 | 0.72 | 0.70 |
| Clackamas County Rural | 3.22 | 3.22 | 3.22 | 3.22 | 3.22 |
| Clackamas City ESD | 0.37 | 0.37 | 0.37 | 0.37 | 0.37 |
| Clackamas County RFPD 1 | 2.50 | 2.46 | 2.46 | 2.47 | 2.46 |
| Metro | 0.39 | 0.46 | 0.47 | 0.40 | 0.31 |
| North Clackamas Parks & Rec District | 0.54 | 5.67 | 0.54 | 0.54 | 0.54 |
| Oak Lodge Sanitary District | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Port of Portland | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 |
| | <u>27.73</u> | <u>32.97</u> | <u>27.75</u> | <u>27.53</u> | <u>27.29</u> |
| Totals* | <u>\$ 34.97</u> | <u>\$ 39.79</u> | <u>\$ 34.84</u> | <u>\$ 34.65</u> | <u>\$ 34.87</u> |

*Numbers in totals do not reflect the actual tax rate for any one property, but are the results of the potential combination of taxing units within District boundaries.

(1) This is a weighted average rate as limited by ballot measure 5. Actual rates may vary by tax codes and lots because of differing compression.

N/A - Not Available

Source: Clackamas Counties Departments of Assessment and Taxation.

NORTH CLACKAMAS SCHOOL DISTRICT 12

PROPERTY TAX LEVIES AND COLLECTION

Last Ten Years

| FISCAL YEAR ENDED JUNE 30 | TOTAL TAX LEVY FOR FISCAL YEAR | | | COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY | | COLLECTIONS IN SUBSEQUENT YEARS | TOTAL COLLECTIONS TO DATE | |
|---------------------------------|--------------------------------|-------------------------|------------|---|--------------------------|---------------------------------------|---------------------------|--------------------------|
| | GENERAL FUND | DEBT SERVICE FUND | TOTAL | AMOUNT | PERCENTAGE OF LEVY | | AMOUNT | PERCENTAGE OF LEVY |
| 2015-16 | 59,069,176 | 29,539,574 | 88,608,750 | 84,265,711 | 95.1 | 1,563,571 | 85,829,282 | 96.9 % |
| 2014-15 | 55,663,451 | 23,109,625 | 78,773,076 | 74,803,660 | 95.0 | 1,843,839 | 76,647,499 | 97.3 % |
| 2013-14 | 51,360,022 | 25,128,043 | 76,488,065 | 72,498,279 | 94.8 | 2,128,760 | 74,627,039 | 97.6 |
| 2012-13 | 47,868,010 | 24,014,870 | 71,882,880 | 67,760,995 | 94.3 | 1,969,835 | 69,730,830 | 97.0 |
| 2011-12 | 47,775,661 | 28,226,948 | 76,002,609 | 71,405,816 | 94.0 | 1,790,532 | 73,196,348 | 96.3 |
| 2010-11 | 47,765,469 | 20,841,828 | 68,607,297 | 64,200,669 | 93.6 | 2,212,667 | 66,413,336 | 96.8 |
| 2009-10 | 46,418,357 | 20,259,136 | 66,677,493 | 62,447,669 | 93.7 | 2,149,331 | 64,597,000 | 96.9 |
| 2008-09 | 44,638,974 | 19,343,165 | 63,982,139 | 59,566,924 | 93.1 | 1,604,236 | 61,171,160 | 95.6 |
| 2007-08 | 42,475,846 | 18,537,792 | 61,013,638 | 57,351,288 | 94.0 | 1,189,512 | 58,540,800 | 95.9 |
| 2006-07 | 39,685,525 | 9,725,322 | 49,410,847 | 46,785,598 | 94.7 | 1,069,950 | 47,855,548 | 96.9 |

Source: Multnomah and Clackamas County Departments of Assessment and Taxation.

(1) Tax collections include discounts, interest and other adjustments.

NORTH CLACKAMAS SCHOOL DISTRICT 12

GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

| FISCAL YEAR | GENERAL BONDED DEBT OUTSTANDING | | | |
|----------------|---------------------------------|--------------------------------|-------------------------|-------------|
| | GENERAL OBLIGATION BONDS | PENSION OBLIGATION BONDS | UNAMORITIZED PREMIUM | TOTAL |
| 2015-16 | \$ 219,350,001 | 87,039,339 | 27,999,897 | 334,389,237 |
| 2014-15 | 237,705,000 | 89,753,315 | 26,576,278 | 354,034,593 |
| 2013-14 | 234,831,142 | 92,440,452 | 9,478,724 | 336,750,318 |
| 2012-13 | 246,501,142 | 94,983,239 | 10,005,319 | 351,489,700 |
| 2011-12 | 256,681,142 | 97,566,604 | 10,531,915 | 364,779,661 |
| 2010-11 | 265,406,142 | 100,067,163 | 11,058,510 | 376,531,815 |
| 2009-10 | 279,291,142 | 102,464,395 | 11,585,105 | 393,340,642 |
| 2008-09 | 291,596,142 | 104,750,987 | 12,111,700 | 408,458,829 |
| 2007-08 | 302,476,142 | 106,902,612 | 11,675,837 | 421,054,591 |
| 2006-07 | 310,126,142 | 108,904,272 | 12,154,309 | 431,184,723 |
| 2005-06 | 85,980,000 | 110,725,258 | (1,058,705) | 195,646,553 |

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements

NORTH CLACKAMAS SCHOOL DISTRICT 12JT
DIRECT AND OVERLAPPING GROSS BONDED DEBT
June 30, 2016

| GOVERNMENTAL UNIT | 2015-16 REAL MARKET VALUATION | GROSS (1) BONDED DEBT | NET (2) DIRECT DEBT | PERCENT WITHIN SCHOOL DISTRICT(3) | OVERLAPPING | |
|--------------------------------------|-------------------------------------|--------------------------|------------------------|--------------------------------------|--------------------------|------------------------|
| | | | | | GROSS (1) BONDED DEBT | NET (2) DIRECT DEBT |
| <u>DIRECT DEBT</u> | | | | | | |
| North Clackamas School District | \$ | \$ 306,389,340 | \$ 306,389,340 | 100.00% | \$ - | \$ - |
| <u>OVERLAPPING GOVERNMENT</u> | | | | | | |
| City of Gladstone | 1,241,126,304 | 1,614,000 | 1,614,000 | 6.08% | 98,146 | 98,146 |
| City of Happy Valley | 2,957,465,465 | 3,530,000 | 3,530,000 | 98.38% | 3,472,680 | 3,472,680 |
| City of Milwaukie | 2,537,038,075 | 8,653,244 | 4,938,244 | 99.18% | 8,582,590 | 4,897,923 |
| City of Portland | 105,293,841,403 | 663,337,916 | 194,580,568 | 0.08% | 520,720 | 152,746 |
| Clackamas Community College | 42,743,413,773 | 88,991,012 | 62,061,012 | 39.39% | 35,051,691 | 24,444,529 |
| Clackamas County | 58,446,871,966 | 103,175,136 | 101,775,136 | 28.81% | 29,719,804 | 29,316,531 |
| Clackamas Cty ESD | 55,513,229,104 | 22,960,637 | 22,960,637 | 30.33% | 6,963,364 | 6,963,364 |
| Clackamas Cty RFPD 1 | 24,037,263,385 | 34,345,000 | 16,700,000 | 69.23% | 23,778,452 | 11,562,095 |
| Metro | 238,253,176,805 | 228,690,000 | 199,855,000 | 6.98% | 15,961,419 | 13,948,880 |
| North Clackamas Parks & Rec District | 16,922,811,894 | 9,220,000 | - | 96.29% | 8,878,196 | - |
| Oak Lodge Sanitary District | 2,488,541,631 | 18,540,000 | - | 75.96% | 14,083,577 | - |
| Port of Portland | 259,090,246,916 | 63,760,760 | - | 6.50% | 4,143,174 | 169,444 |
| TOTAL OVERLAPPING | 809,525,026,721 | 1,246,817,705 | 608,014,597 | | 151,253,813 | 95,026,338 |
| TOTAL | \$ 809,525,026,721 | \$ 1,553,207,045 | \$ 914,403,937 | | \$ 151,253,813 | \$ 95,026,338 |

Source: Debt Management Division, State of Oregon.

- (1) Gross bonded debt includes all bonds backed by a general obligation pledge including self-supporting general obligation bonds and limited tax debt.
(2) Net direct debt including all tax-supported bonds. Self-supporting bonds are excluded.
(3) The percentage of overlapping debt is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping district's taxable assessed value that is within the school district's boundaries and dividing it by the overlapping district's total taxable assessed value. These percentages are calculated by the State of Oregon Municipal Debt Advisory Commission.
Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the District. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

NORTH CLACKAMAS SCHOOL DISTRICT 12

OPERATING STATISTICS

Last Ten Fiscal Years

| FISCAL YEAR | STUDENT ENROLLMENT(1) | AVERAGE DAILY MEMBERSHIP(2) | TEACHING STAFF (4) | PUPIL-TEACHER RATIO (3) |
|-------------|-----------------------|-----------------------------|--------------------|-------------------------|
| 2015-2016 | 17,250 | 20,688 | 882 | 19.57 |
| 2014-2015 | 17,199 | 19,748 | 841.4 | 20.44 |
| 2013-2014 | 17,185 | 19,716 | 785.3 | 21.88 |
| 2012-2013 | 17,044 | 19,909 | 780.0 | 21.85 |
| 2011-2012 | 17,280 | 20,026 | 767.7 | 22.51 |
| 2010-2011 | 17,348 | 19,991 | 897.5 | 19.33 |
| 2009-2010 | 17,578 | 20,126 | 977.9 | 17.98 |
| 2008-2009 | 17,728 | 20,342 | 1021.2 | 17.36 |
| 2007-2008 | 17,569 | 20,453 | 959.6 | 18.31 |
| 2006-2007 | 17,436 | 19,916 | 904.4 | 19.28 |
| 2005-2006 | 17,039 | 19,682 | 858.5 | 19.85 |

| FISCAL YEAR | NUMBER OF TYPE A LUNCES SERVED | | | NUMBER OF BREAKFASTS SERVED | | |
|-------------|--------------------------------|---------|---------------|-----------------------------|---------|---------------|
| | PAID | FREE | REDUCED PRICE | PAID | FREE | REDUCED PRICE |
| 2015-2016 | 458,755 | 645,111 | 140,172 | 57,414 | 265,364 | 44,970 |
| 2014-2015 | 426,601 | 648,923 | 113,433 | 50,839 | 244,557 | 34,884 |
| 2013-2014 | 396,840 | 678,311 | 120,794 | 39,494 | 271,555 | 37,265 |
| 2012-2013 | 401,027 | 709,000 | 120,300 | 40,236 | 279,846 | 37,954 |
| 2011-2012 | 467,704 | 765,052 | 124,806 | 49,109 | 296,456 | 40,430 |
| 2010-2011 | 490,255 | 730,743 | 116,440 | 41,612 | 272,296 | 36,469 |
| 2009-2010 | 550,239 | 718,336 | 149,117 | 51,161 | 278,994 | 49,358 |
| 2008-2009 | 579,677 | 594,974 | 154,973 | 62,431 | 236,134 | 37,347 |
| 2007-2008 | 554,029 | 508,044 | 137,813 | 64,555 | 196,106 | 30,998 |
| 2006-2007 | N/A | N/A | N/A | N/A | N/A | N/A |
| 2005-2006 | N/A | N/A | N/A | N/A | N/A | N/A |

(1) Enrollment in North Clackamas School District locations only.

(2) Average Daily Membership (ADMw) includes all resident students regardless of where they attend (including charter schools, schools outside the district, and schools for special needs students operated by other agencies and education service districts).

(3) Enrollment to Teacher Ratio

(4) Includes all licensed staff, not just classroom teachers, (i.e., counselors, special education, librarians).

N/A-Not Available

Sources: North Clackamas School District Human Resources Department, Food Service Department, High Schools, Enrollment and Attendance Records.