

***LAKE OSWEGO SCHOOL
DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2020***

Prepared by:
Business Services Department
* * * * *

Stuart Ketzler, CPA
Assistant Superintendent of Business Services

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKMAS COUNTY, OREGON
JUNE 30, 2020

BOARD OF DIRECTORS

<u><i>Name</i></u>	<u><i>Title</i></u>	<u><i>Term Expires</i></u>
Kirsten Aird	Vice Chair (As of June 22, 2020)	June 30, 2023
Neelam Gupta	Member (Joined June 22, 2020)	June 30, 2021
Liz Hartman	Member	June 30, 2021
Sara Pocklington	Chair (As of June 22, 2020)	June 30, 2021
John Wallin	Member	June 30, 2023
Rob Wagner	Chair (Resigned June 22, 2020)	

The above Board Members receive mail at the address below:

ADMINISTRATION

Lake Oswego School District No.7J
PO Box 70
Lake Oswego, Oregon 97034

Dr. Lora de la Cruz, Superintendent

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CLACKAMAS COUNTY, OREGON
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GROVE, MUELLER & SWANK, P.C.

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INDEPENDENT AUDITOR'S REPORT

School Board
Lake Oswego School District No. 7J
Clackamas County, Oregon
2455 Country Club Road
Lake Oswego, Oregon 97034

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lake Oswego School District No. 7J, Clackamas County, Oregon (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's 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 District's 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lake Oswego School District No. 7J, Clackamas County, Oregon as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information (except as mentioned in the following paragraph) because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information and the statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly we do not express an opinion or provide any assurance on it.

Reports on Other Legal and Regulatory Requirements

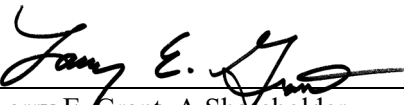
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of 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 the District's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 19, 2021, on our consideration of the District's 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.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Larry E. Grant, A Shareholder
January 19, 2021

LAKE OSWEGO SCHOOL DISTRICT NO. 7J, CLACKAMAS COUNTY, OREGON
Management's Discussion and Analysis

As management of the Lake Oswego School District No. 7J, Clackamas County, Oregon (Lake Oswego School District or the District), we offer readers this narrative overview and analysis of the financial activities of the Lake Oswego School District for the fiscal year ended June 30, 2020.

Financial Highlights

- The liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of Lake Oswego School District by \$2,314,480 at June 30, 2020. Of this amount, \$69,271,279 is invested in capital assets, net of related debt, \$123,659 is restricted to the payment of the District's general obligation bonded debt, and the remainder, \$(71,709,418), is unrestricted. The negative unrestricted portion of net position is due primarily to the District's postemployment benefit and net pension liabilities recorded under generally accepted accounting principles as well as the fact that government entities tend to raise resources when the liabilities are expected to be paid rather than when they are incurred.
- Net position decreased by \$2,044,111 from the prior year's balance, due primarily to a planned spend down of General Fund resources and approximately \$800,000 in operating losses incurred in the District's fee for service programs as a result of the pandemic.
- At June 30, 2020, the District's governmental funds reported combined ending fund balances of \$118,026,463. This substantial balance is due primarily to the unexpended portion of \$187 million of general obligation bond proceeds received following approval by District voters at the May 2017 election to replace Lakeridge Middle School and make capital improvements throughout the District.
- At June 30, 2020, the General Fund had an unassigned fund balance of \$14,904,660, a decrease of \$2.8 million from the prior year's unassigned fund balance of \$17,731,705. This decrease was due to a planned spend down of approximately \$2 million and significant operating losses in the District's fee for service programs as a result of the pandemic. Additional information can be found in the Economic Factors and Next Year's Budget discussion near the end of this analysis.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Lake Oswego School District's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

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.

- The *statement of net position* presents information on all of the District's total assets and deferred outflows and total liabilities and deferred inflows with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. 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).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). As is typical for a school district, the District has governmental activities, which include instruction, supporting services, enterprise and

community services, facilities acquisition and construction, and debt service. The District currently does not have any business-type activities.

The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund Financial Statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of the District are governmental funds.

Governmental funds are used to account for 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 available resources, as well as on balances of available resources 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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four major 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 Fund, the Community Contributions Fund, the Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds at the fund appropriation level is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund, individually presented to demonstrate compliance with their budgets.

The governmental fund financial statements can be found on pages 15 - 18 of this report.

Notes To Basic Financial Statements 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 financial statements can be found on pages 19 - 52 of this report.

The Combining Statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements and required supplementary information along with individual fund schedules.

Government-Wide Financial Analysis

Net position. As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of Lake Oswego School District, assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by \$2,314,480 at the close of the most recent fiscal year. A condensed Statement of Net Position for the current and prior fiscal year-end follows:

Condensed Statement of Net Position

	Statements of Net Position	
	June 30,	
	<u>2020</u>	<u>2019</u>
Assets		
Current and Other Assets	\$ 142,857,195	\$ 195,696,973
Net Capital Assets	<u>228,145,116</u>	<u>140,903,216</u>
Total Assets	<u>371,002,311</u>	<u>336,600,189</u>
Deferred Outflows of Resources	<u>21,007,617</u>	<u>22,536,634</u>
Total Assets and Deferred Outflows of Resources	<u>392,009,928</u>	<u>359,136,823</u>
Liabilities		
Other Liabilities	23,963,165	18,139,881
Long-Term Debt	290,171,015	268,168,725
Pension and OPEB Liabilities	<u>73,378,900</u>	<u>66,360,693</u>
Total Liabilities	<u>387,513,080</u>	<u>352,669,299</u>
Deferred Inflows of Resources	<u>6,811,328</u>	<u>6,737,893</u>
Total Liabilities and Deferred Inflows of Resources	<u>394,324,408</u>	<u>359,407,192</u>
Net Position		
Net Investment in Capital Assets	69,271,279	62,679,911
Restricted	123,659	300,674
Unrestricted	<u>(71,709,418)</u>	<u>(63,250,954)</u>
Total Net Position	<u>\$ (2,314,480)</u>	<u>\$ (270,369)</u>

Current and other assets decreased due to the planned disbursement of funds for districtwide facility improvements funded by the \$187 million in general obligation debt approved by District voters in 2017. The District's other liabilities have increased due primarily to increases in accounts payable related to construction activity. Long-term debt obligations have increased due to the April, 2020 issuance of the final \$27 million tranche of general obligation debt authorized in 2017, offset by normal annual principal payments.

Pension and OPEB liabilities increased due to pension plan results through June 30, 2019 under GASBS No. 68 and OPEB results through June 30, 2020 under GASBS No. 75. These liabilities and the related deferred outflows and deferred inflows of resources represent the District's estimated portion of the state PERS pension obligations recorded in the District's statement of net position as more fully discussed in the footnotes beginning at page 34, plus the OPEB liabilities as more fully discussed in the footnotes beginning at page 44. Net capital assets have increased due to the various facility improvements that are underway financed primarily by the 2017 general obligation debt.

By far the largest portion of the District's net position is 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 for classrooms and supporting services for providing K-12 education; consequently, these assets are not available for future spending. Although the District's investment in 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, since the capital assets themselves cannot be used to liquidate these liabilities. The source is primarily property taxes levied for debt service.

As previously noted, due primarily to an increase in the District's property taxes and investment earnings, the net position of the District decreased by \$2,044,111 during the current fiscal year.

At the end of the current fiscal year, the District's net position - unrestricted shows a deficit balance of \$71,709,418. The government-wide statement of net position recognizes a liability as soon as an obligation is incurred, even though the payment may not be made until some future period, including pension related balances. As governments tend to raise resources when the liabilities are expected to be paid rather than when they are incurred, most governments do not have sufficient current resources to cover long-term liabilities. This is the case for the District.

The revenues and expenses shown below explain changes in net position for the fiscal years ended June 30, 2020 and 2019.

	2020		2019	
Revenues				
Program Revenues				
Charges for Services	\$ 7,340,200	6.20%	\$ 8,860,969	7.71%
Grants and Contributions	5,995,752	5.06%	5,856,057	5.10%
Total Program Revenues	<u>13,335,952</u>	<u>11.26%</u>	<u>14,717,026</u>	<u>12.81%</u>
General Revenues				
Property Taxes	66,884,501	56.45%	61,585,854	53.62%
State Revenue Sharing	32,963,134	27.82%	31,817,909	27.70%
Other Federal, State and Local Sources	1,427,287	1.20%	1,573,188	1.37%
Investment Earnings	3,868,988	3.27%	5,936,356	5.17%
Net Gain (Loss) on Disposal of Capital Assets	6,000	0.01%	(770,597)	-0.67%
Total General Revenues	<u>105,149,910</u>	<u>88.74%</u>	<u>100,142,710</u>	<u>87.19%</u>
Total Revenues	<u>118,485,862</u>	<u>100.00%</u>	<u>114,859,736</u>	<u>100.00%</u>
Expenses				
Instruction	67,996,555	56.41%	59,772,751	55.07%
Support Services	32,453,197	26.93%	29,791,206	27.44%
Community Services	4,773,073	3.96%	4,892,471	4.51%
Facilities	262,241	0.22%	13,219	0.01%
Depreciation and Amortization	4,365,064	3.62%	3,427,470	3.16%
Interest and Other Charges	10,679,843	8.86%	10,651,742	9.81%
Total Expenses	<u>120,529,973</u>	<u>100.00%</u>	<u>108,548,859</u>	<u>100.00%</u>
Change in Net Position	(2,044,111)		6,310,877	
Net Position - Beginning	(270,369)		(6,581,246)	
Net Position - Ending	<u><u>\$ (2,314,480)</u></u>		<u><u>\$ (270,369)</u></u>	

Revenues. Since the District's mission is to provide a free and appropriate public education for K-12 students within its boundaries, the District may not charge for its core services. Therefore, as expected, general revenues typically provide over 80% of the funding required for governmental programs. Property taxes and State Revenue Sharing combined account for 95% and 93% of general revenues and approximately 86% and 81% of total revenues for the 2020 and 2019 fiscal years, respectively. State Revenue Sharing has improved since it was significantly reduced in 2009 through 2013 due to the slow recovery from the 2008-09 recession. Property taxes have also rebounded due to what had been, prior to the pandemic, an improving economy. Charges for services declined significantly due to closures caused by the pandemic. They are comprised of the following items for which it is appropriate to charge tuition or fees:

	<u>2020</u>	<u>2019</u>
Community services charges for enrichment and extended day care programs	\$ 2,201,706	\$ 2,745,049
Food services charges not only for lunch and breakfast, but also for catering and contract services	1,077,125	1,312,892
Tuition and fees are charged for participation in various extra-curricular activities and out-of-district students and use of district facilities	<u>4,061,369</u>	<u>4,803,028</u>
Total Charges for Services:	<u>\$ 7,340,200</u>	<u>\$ 8,860,969</u>

Charges for services decreased in fiscal year 2020 due to the pandemic closing operations effective March 13, 2020. Grants and contributions represent 5.1% of total revenues for the 2020 and 2019 fiscal years. Included in this category is \$336,009 and \$378,431 for federal reimbursement and subsidy under the school lunch program for the 2020 and 2019 fiscal years, respectively. Other federal, state, and other grants for designated programs totaled \$3,562,190 and \$3,468,888, respectively, with the increase coming from higher Student Success Act funds provided under statewide Measure 98. The balance is comprised primarily of contributions through the Lake Oswego School District Foundation, which was \$1.01 million in fiscal year 2020 and \$1.065 million in fiscal year 2019, as well as donations from parents and each school's booster organization.

Expenses. Expenses related to governmental activities are presented in five broad functional categories. Costs of direct classroom instruction activities account for 55% or slightly more of the total expenses of \$120,529,973 and \$108,548,859 for the 2020 and 2019 fiscal years, respectively. In addition, approximately half of the costs in supporting services relate to students, instructional staff and school administration.

	<u>Total Cost of Services</u> <u>2020</u>	<u>Net Cost of Services</u> <u>2020</u>	<u>Total Cost of Services</u> <u>2019</u>	<u>Net Cost of Services</u> <u>2019</u>
Instruction	\$ 67,996,555	\$ 61,144,234	\$ 59,772,751	\$ 52,796,290
Support Services	32,453,197	29,730,801	29,791,206	27,632,036
Enterprise and Community Services	4,773,073	1,050,180	4,892,471	456,099
Facilities	262,241	223,899	13,219	(973,099)
Depreciation and Amortization	4,365,064	4,365,064	3,427,470	3,427,470
Interest and Other Charges	10,679,843	10,679,843	10,651,742	10,493,037
Total	<u>\$ 120,529,973</u>	<u>\$ 107,194,021</u>	<u>\$ 108,548,859</u>	<u>\$ 93,831,833</u>

Total and net costs of services increased in fiscal year 2020 due to increases in staffing as a result of extra resources provided from the District's Local Option property tax levy authority and normal cost increases. This levy authority was increased for fiscal year 2020 by approximately \$2 million over the prior approved measure.

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. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of June 30, 2020, the District's governmental funds reported combined ending fund balances of \$118,026,463. Additionally, \$238,844 is unspendable inventories and prepaid costs for use by various funds. \$1,511,147 is committed in the Special Revenue Funds, which is primarily the fund balance for the Student Activity Fund. These

fund balances are committed to programs congruent with the nature of the special revenue source. \$552,650 is restricted for debt service and \$100,819,162 is restricted for capital projects. The remaining \$14,904,660 constitutes *unassigned fund balance*, which is available for spending at the District's discretion.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$14,904,660, a decrease of \$2.83 million from the prior year. This decrease was due to a planned spend down of approximately \$2 million of General Fund resources and approximately \$800,000 in operating losses in the District's fee for service programs as a result of the pandemic.

The Community Contributions Fund accounts for revenues and expenditures of contributions from various community groups and the Lake Oswego School District Foundation for specific educational projects or programs. It is a special revenue fund; expenditures and revenues are generally consistent with each other and its ending fund balance of \$171,546 is committed to community support.

The Debt Service Fund had an ending fund balance restricted for debt service of \$552,650 at the end of the current fiscal year. Property taxes are the primary revenue source and are relatively stable, so taxes are levied at the minimum amount sufficient for meeting current debt service obligations.

The Capital Projects Fund had an ending fund balance restricted for capital projects of \$100,819,162. This fund balance was created primarily with the sales of the District's bond authority of \$187 million approved by voters in the May 16, 2017 election. Significant construction activity commenced in the summer of 2018 and is ongoing; capital improvements funded by the 2017 bond are expected to conclude by the end of calendar year 2022.

Budgetary Highlights

The General Fund is usually the largest fund of the governmental funds. Due to the continued strong real estate market and an increase from \$1.39 to \$1.64 per thousand in the District's Local Option property tax authority, property tax revenues increased by \$2.7 million and just exceeded budgeted amounts of \$49.3 million. State revenue sources exceeded budgeted amounts by \$0.9 million. There was a positive variance of \$7.5 million above the \$7.5 million budgeted for the ending fund balance. Several instances of spending exceeding appropriations are summarized beginning at page 49.

The differences between the original budget and the final amended budgets of the governmental funds were two supplemental budgets, with the first being a \$220,000 increase in the Debt Service Fund's beginning fund balance and debt service appropriation category and the second a \$2.85 million increase in the Capital Projects Funds long-term-debt proceeds resource and a \$2.65 million increase in unappropriated ending fund balance, with the balance to the debt service appropriation category. There were also three budget transfers: 1. \$500,000 from the General Fund's contingency appropriation category to the transfers to other funds appropriation category to cover pandemic-caused operating losses, 2. \$350,000 from the Grants Fund instruction services category with \$300,000 transferred to support services and \$50,000 to the debt service appropriation categories, and 3. a \$250,000 transfer from the instruction services to the support services appropriation category in the Capital Projects Fund.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$228,145,116, an increase of \$87.2 million from the prior year amount of \$140,903,216 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, equipment and furniture, and construction in progress. The District's investment in capital assets for the current fiscal year increased by 61.92% due primarily to Construction in Progress largely funded by the new bond approved in May 2017, offset by ongoing regular annual depreciation.

Capital Assets (Net of Depreciation)	Governmental Activities		Percentage Change
	Total School District		
	2020	2019	
Land	\$ 9,297,870	\$ 9,297,870	0.00%
Buildings and Improvements	120,833,929	90,378,929	33.70%
Vehicles and Equipment	10,492,619	9,153,165	14.63%
Construction in Progress	87,520,698	32,073,252	172.88%
Total	\$ 228,145,116	\$ 140,903,216	61.92%

Major capital asset events during the current fiscal year included the following:

- Safety and technology upgrades districtwide
- Major planning and design work for renovation or rebuilding projects to begin in 2020 or 2021
- Completion of several athletic facility projects largely funded by the General Fund
- Completion of major renovation of Uplands, Hallinan, Oak Creek and Westridge elementary schools
- Completion of strategic renovations and additions to Lake Oswego Middle and River Grove Elementary
- Ongoing construction to replace all Lakeridge Middle School buildings

Additional information on the District's capital assets can be found in the notes to the basic financial statements of this report.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$290,171,015, which does not include its pension or other postemployment benefit liabilities that total \$73,378,900. Of this \$290,171,015, \$270,102,015 is comprised of general obligation debt and pension obligation debt net of unaccrued discounts and unamortized premiums and discounts, and \$20,069,000 comprises debts backed by the full faith and credit of the District. The District's total debt increased by \$22 million during fiscal year 2020 due to the issuance of \$27 million at par of the remaining general obligation debt authority approved by District voters in 2017, plus \$7.34 million in premiums on that sale, offset by normal scheduled principal payments.

	Outstanding Long-Term Debt		Percentage Change
	Total School District		
	2020	2019	
Bonded Debt	\$ 270,102,015	\$ 246,732,725	9.5%
Other Long-Term Debt	20,069,000	21,436,000	-6.4%
Total	\$ 290,171,015	\$ 268,168,725	8.2%

Moody's Investors Service recently reaffirmed its rating of Aa1 on the District's August 2017 \$160 million and April 2020 \$27 million unlimited tax general obligation bonds. S & P Global Ratings rated both bonds as AA+, the highest rating assigned to a school district in Oregon. The ratings are primarily based on the District's large and diverse tax base, which continues to grow, and strong community support. The two bond sales earned a combined total of \$24.94 million in premiums.

State statutes limit the amount of general obligation debt a school district may issue based on a formula using a percentage of the Real Market Value of all taxable properties within the District. The District's general obligation bond debt capacity is \$1.1 billion, calculated as 7.95% of Real Market Value of \$14 billion. This limit is significantly in excess of the District's June 30, 2020 outstanding general obligation debt of \$216,705,000. Additional information on the District's long-term debt can be found in the notes to the basic financial statements of this report.

Economic Factors and Next Year's Budget

The State of Oregon has no sales tax so funding for public schools essentially rely on a combination of income taxes collected at the state level and property taxes collected at the local level. These resources are aggregated under a state-wide formula and distributed to school districts based on each district's attendance and various weighting of certain factors. Since the implementation of two state-wide measures in the 1990's that reduced property tax levies, property taxes now provide approximately one third of the resources distributed via this state-wide formula. Prior to the implementation of these two state-wide measures, property taxes accounted for almost two thirds of the resources in this formula. This increased reliance on income tax receipts introduced a greater measure of volatility in state school funding. The state budget, including K-12 funding, experienced significant reductions in the wake of the 2002 and 2009 recessions. While initially slow, the Oregon economy had been steadily improving over the past several years. State of Oregon funding for public K-12 education for the 2017-19 biennium improved to \$8.2 billion from the \$7.4 billion provided in the prior biennium. It is presently \$9 billion for the current 2019-21 biennium, but a special legislative session was required in August 2020 to use \$400 million in state reserves to preserve that level of funding in the wake of the pandemic. With that as context, the following additional observations regarding economic factors and the budget for the next year are provided to highlight noteworthy issues:

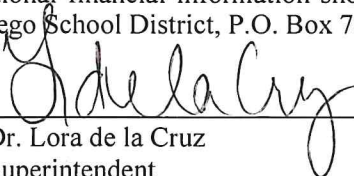
The increase to \$9 billion for the 2019-21 biennium was largely offset by increased PERS pension rates effective July 1, 2019. State funding for the District's regular operations is presently estimated to be over \$34 million for fiscal year 2021, which, while still inadequate, will allow the District, in combination with Foundation fund-raising, local-option property tax revenues, fund balance carryover, and cost-cutting measures implemented following the great recession, to retain its current program offerings and end the 2021 fiscal year with a healthy positive fund balance. As discussed more fully below, the District expects to expend in fiscal year 2021 approximately \$2 million of its fund balance carryover from fiscal year 2020, assuming no reductions in state funding and no significant new costs due to the pandemic.

- Partially offsetting the loss of state funding or supplementing it has been very successful volunteer fund-raising efforts by the independent private non-profit Lake Oswego School District Foundation (the Foundation). As a result of its efforts and the generosity of the Lake Oswego community, for the eight years from fiscal years 2011 through 2018, the Foundation provided a total of \$11.4 million to the District, plus \$1.065 million for fiscal year 2019 and \$1.01 million for fiscal year 2020. The Foundation expects to provide just under \$1 million for fiscal year 2021.
- The City of Lake Oswego, recognizing the vital role the District plays in the city, provided \$2 million in one-time funding to the District in fiscal year 2012. The District is extremely grateful to the Mayor, City Council and city staff members for the difficult choices that were made to benefit our students and looks forward to additional opportunities to work with the City to keep our schools vibrant and attractive. The District and City are actively working towards finalizing an Inter-Governmental Agreement to form a partnership to leverage their respective resources for a new pool to replace the current undersized almost 50-year-old District pool and add City recreational programming space. Work is underway to finalize the IGA early in 2021.
- In addition to vital Foundation and City support, with voter approval, the District raises additional property tax revenues using a local-option tax levy. First implemented in 2000, District voters authorized a 25 cent increase and an additional 5 years of this levy in May 21, 2019. Beginning in fiscal year 2020, the rate increase provides an additional \$2 million annually to fund increased staff, primarily for innovation lab programs and social emotional supports for students. The levy will provide local-option tax revenues to the District each year through fiscal year 2024. Local-option tax revenues were \$10.97 million in fiscal year 2019, \$10.17 million in fiscal year 2018, and \$9.64 million in fiscal year 2017. Due primarily to the rate increase, the revenues generated by this local-option tax increased to \$13.15 million in fiscal year 2020 and are expected to provide approximately \$13.6 million in property taxes in fiscal year 2021.


- The District issued \$15 million in long-term Full Faith and Credit obligation debt in June 2019 to finance the acquisition of land adjacent to Lake Oswego High School and for property purchased with the intent to use as a new bus facility, as well as \$5 million for improvements to District athletic facilities, primarily the addition of covered seating and a press box at Lakeridge High School's main athletic field. This new debt of \$15 million was issued in June 2019 and matures in 2034. Debt service payments on this debt are being paid primarily from the General Fund, with one-third paid from the Capital Projects Funds' Construction Excise Tax receipts.
- The District's licensed staff are represented by the Lake Oswego Education Association and its classified staff by the Lake Oswego School Employees Association under separate four year agreements effective July 1, 2017 that expire on June 30, 2021.
- Effective July 1, 2019, the District saw an increase in its PERS rates of 4% on average, representing approximately \$1.6 million in additional annual PERS contribution expenditures annually for fiscal years 2020 and 2021. This follows an increase in PERS rates on July 1, 2017 of 5% on average. These increases are due primarily to ongoing amortization of the PERS system's unfunded actuarial liabilities created from investment losses in the wake of the Great Recession and the Oregon Supreme Court's 2015 decision in *Moro vs/ State of Oregon* to reverse the majority of legislative reforms to PERS that were enacted in 2013. Additional PERS reforms were passed during the 2019 legislative session, but have not yet fully taken effect. PERS rates, benefits and policies are set at the state level and the District is mandated by state law to participate.
- Administration and the school board are actively involved in strategic planning to continue to lead the District in a fiscally responsible manner. A new fund balance policy was adopted in March 2015 which, among other things, established a minimum General Fund fund balance target of 8% of General Fund adopted expenditures and a maximum of 15% for the ensuing fiscal year. Ending fund balances projected to be outside these ranges require a corrective plan of action for the school board's consideration. The General Fund fund balance at June 30, 2020 is 16% of adopted expenditures, but it is expected to be under 14% by the end of fiscal year 2021, as current revenues will not sufficiently cover all cost increases the District presently anticipates. Accordingly, the District estimates it will use approximately \$2 million or more of the 2020 General Fund ending fund balance in fiscal year 2021, similar to fiscal year 2019. The 2019 legislature approved implementation of a new state-wide excise tax that, beginning with the 2020-21 fiscal year, was originally anticipated to provide \$1 billion annually in new statewide school funding. The District had anticipated it would receive approximately \$5 million in new funding under this legislation for the 2020-21 fiscal year under a grant program, but the actual amount was reduced to \$1.6 million due to declining state resources in the wake of the pandemic. Long-term strategic plans are in process to guide the District as major decisions are made.
- June 2020 marked the conclusion of the first year with Dr. Lora de la Cruz as our new superintendent. While she formally assumed this role on July 1, 2019, she was selected in December 2018 following a national search. She and the school board are nearing completion of a new five year strategic plan that will ensure "The work of inclusivity, equity, diversity, access and belonging is the most important work we are doing in LOSD."

Requests for Information

This financial report is designed to provide a general overview of the Lake Oswego School District's finances for all those with such an interest. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Assistant Superintendent of Business Services, Lake Oswego School District, P.O. Box 70, Lake Oswego, Oregon 97034.



 Dr. Lora de la Cruz
 Superintendent



 Stuart Ketzler, CPA
 Assistant Superintendent of Business Services

BASIC FINANCIAL STATEMENTS

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LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
STATEMENT OF NET POSITION
JUNE 30, 2020

	PRIMARY GOVERNMENT	COMPONENT UNIT
ASSETS:		
Cash and Investments	\$ 136,262,139	\$ -
Intergovernmental Receivables	-	531,262
Property Taxes and Other Receivables	5,595,810	7,464
Prepays	146,146	-
Inventories	92,698	-
Capital Assets, Net of Accumulated Depreciation	228,145,116	-
Net RHIA OPEB Asset	760,402	-
	<hr/>	<hr/>
Total Assets	371,002,311	538,726
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to OPEB	709,797	-
Deferred Outflows Related to Stipend Pension	72,059	-
Deferred Outflows Related to PERS Pension	20,225,761	-
	<hr/>	<hr/>
Total Deferred Outflows of Resources	21,007,617	-
	<hr/>	<hr/>
Total Assets and Deferred Outflows of Resources	392,009,928	538,726
LIABILITIES:		
Accounts and Retainage Payable	13,428,164	15,920
Accrued Payroll, Taxes, and Employee Withholdings	7,399,904	-
Intergovernmental Payable	531,262	-
Unearned Revenue	1,033,152	-
Matured Bonds and Coupons Payable	244	-
Accrued Interest Payable	838,853	-
Compensated Absences Payable	731,586	-
Long-term Liabilities:		
Long-term debt:		
Due Within One Year	12,751,032	-
Due in More Than One Year	277,419,983	-
Pension and OPEB Liabilities Due in More Than One Year:		
Net Pension Liability	59,728,707	-
Total Stipend Pension Liability	1,742,241	-
Total Other Postemployment Benefits Liability	11,907,952	-
	<hr/>	<hr/>
Total Liabilities	387,513,080	15,920
DEFERRED INFLOWS OF RESOURCES		
Deferred Outflows Related to OPEB	897,376	-
Deferred Outflows Related to Stipend Pension	792,412	-
Deferred Outflows Related to PERS Pension	5,121,540	-
	<hr/>	<hr/>
Total Deferred Inflows of Resources	6,811,328	-
	<hr/>	<hr/>
Total Liabilities and Deferred Inflows of Resources	394,324,408	15,920
NET POSITION:		
Net Investment in Capital Assets	69,271,279	-
Restricted for Debt Service	123,659	-
Unrestricted	(71,709,418)	522,806
	<hr/>	<hr/>
Total Net Position	\$ (2,314,480)	\$ 522,806

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LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	COMPONENT UNIT
Governmental Activities:						
Instruction	\$ 67,996,555	\$ 2,700,510	\$ 4,151,811	\$ -	\$ (61,144,234)	\$ -
Support Services	32,453,197	1,291,393	1,431,003	-	(29,730,801)	-
Enterprise and Community Services	4,773,073	3,348,297	374,596	-	(1,050,180)	-
Capital Outlay	262,241	-	-	38,342	(223,899)	-
Depreciation and Amortization	4,365,064	-	-	-	(4,365,064)	-
Interest and Other Charges	10,679,843	-	-	-	(10,679,843)	-
Total Governmental Activities - Primary Government	<u>\$ 120,529,973</u>	<u>\$ 7,340,200</u>	<u>\$ 5,957,410</u>	<u>\$ 38,342</u>	<u>\$ (107,194,021)</u>	<u>\$ -</u>
Component Unit - Lake Grove Park	<u>\$ 180,982</u>	<u>\$ 10,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (170,738)</u>

General Revenues:

Taxes:		
Property Taxes, Levied for General Purposes	50,261,602	219,160
Property Taxes, Levied for Debt Service	16,622,899	-
State Revenue Sharing	32,963,134	-
Grants and Contributions Not Restricted to Specific Programs:		
State and Local Grants	1,427,287	-
Interest and Investment Earnings	3,868,988	109
Net Gain (Loss) on Disposal of Capital Assets	6,000	-
Total General Revenues	<u>105,149,910</u>	<u>219,269</u>
Changes in Net Position	(2,044,111)	48,531
Net Position - Beginning	<u>(270,369)</u>	<u>474,275</u>
Net Position - Ending	<u>\$ (2,314,480)</u>	<u>\$ 522,806</u>

The accompanying notes are an integral part of the financial statements.

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>SPECIAL REVENUE</u>	
	<u>GENERAL</u>	<u>COMMUNITY CONTRIBUTIONS</u>
ASSETS:		
Cash and Investments	\$ 22,065,490	\$ -
Interfund Receivables	1,096,187	992,649
Receivables:		
Taxes	1,650,986	-
Accounts	361,304	27,691
Accrued Interest	1,440	-
Prepays	55,690	-
Inventories	46,565	-
	<u>25,277,662</u>	<u>1,020,340</u>
Total Assets	<u>\$ 25,277,662</u>	<u>\$ 1,020,340</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:		
Liabilities:		
Interfund Payables	\$ -	\$ -
Intergovernmental Payable	531,262	-
Accrued Payroll and Benefits Payable	7,399,904	-
Accounts and Retainage Payable	1,066,372	301
Unearned Revenue	5,467	848,493
Matured Bond and Coupons Payable	-	-
	<u>9,003,005</u>	<u>848,794</u>
Total Liabilities	<u>9,003,005</u>	<u>848,794</u>
Deferred Inflows of Resources:		
Unavailable Revenue - Property Taxes	1,267,742	-
Fund Balances:		
Nonspendable:		
Prepays	55,690	-
Inventories	46,565	-
Restricted for:		
Debt Service	-	-
Capital Projects	-	-
Committed to:		
Community Support	-	171,546
Student Activities	-	-
Unassigned	14,904,660	-
	<u>15,006,915</u>	<u>171,546</u>
Total Fund Balances	<u>15,006,915</u>	<u>171,546</u>
	<u>\$ 25,277,662</u>	<u>\$ 1,020,340</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 25,277,662</u>	<u>\$ 1,020,340</u>

DEBT SERVICE	CAPITAL PROJECTS	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 431,188	\$ 112,424,710	\$ 1,340,751	\$ 136,262,139
-	181,199	159,708	2,429,743
531,085	-	-	2,182,071
-	111,560	2,461,439	2,961,994
483	449,822	-	451,745
-	90,456	-	146,146
-	-	46,133	92,698
<u>\$ 962,756</u>	<u>\$ 113,257,747</u>	<u>\$ 4,008,031</u>	<u>\$ 144,526,536</u>
\$ -	\$ -	\$ 2,429,743	\$ 2,429,743
-	-	-	531,262
-	-	-	7,399,904
-	12,348,129	13,362	13,428,164
-	-	179,192	1,033,152
244	-	-	244
<u>244</u>	<u>12,348,129</u>	<u>2,622,297</u>	<u>24,822,469</u>
409,862	-	-	1,677,604
-	90,456	-	146,146
-	-	46,133	92,698
552,650	-	-	552,650
-	100,819,162	-	100,819,162
-	-	-	171,546
-	-	1,339,601	1,339,601
-	-	-	14,904,660
<u>552,650</u>	<u>100,909,618</u>	<u>1,385,734</u>	<u>118,026,463</u>
<u>\$ 962,756</u>	<u>\$ 113,257,747</u>	<u>\$ 4,008,031</u>	<u>\$ 144,526,536</u>

The accompanying notes are an integral part of the financial statements.

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LAKE OSWEGO SCHOOL DISTRICT NO. 7J

CLACKAMAS COUNTY, OREGON

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2020

Total Fund Balances - Governmental Funds \$ 118,026,463

The cost of capital assets (land, buildings and improvements, 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.

Net Capital Assets 228,145,116

Long-term pension or OPEB assets or liabilities not payable in the current year are not reported as governmental fund liabilities. Deferred outflows and inflows or resources related to pensions or OPEBs are applicable to future periods and, therefore, are not reported in the funds.

Total/Net OPEB asset (liability)	\$ (11,147,550)	
Total/Net Stipend and PERS pension asset (liability)	(61,470,948)	
Deferred inflows of resources and related to pension and OPEBs	(6,811,328)	
Deferred outflows of resources related to pensions and OPEBs	<u>21,007,617</u>	
		(58,422,209)

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.

Long Term Liabilities		
Compensated Absences Payable	(731,586)	
FF & C's Payable	(20,069,000)	
Accrued Interest Payable	(838,853)	
PERS Bonds Payable	(30,478,016)	
General Obligation Bonds Payable	<u>(216,705,000)</u>	
		(268,822,455)

Unamortized Premiums on Issuance of Long-Term Debt (22,918,999)

Unavailable Revenue Related to Property Taxes 1,677,604

Net Position \$ (2,314,480)

The accompanying notes are an integral part of the financial statements.

LAKE OSWEGO SCHOOL DISTRICT NO.7J**CLACKAMAS COUNTY, OREGON****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -****GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2020**

	SPECIAL REVENUE	
	GENERAL	COMMUNITY CONTRIBUTIONS
REVENUES:		
Local Sources:		
Taxes	\$ 49,528,306	\$ -
Earnings on Investments	736,425	-
Other Local Sources	2,141,262	1,161,268
Intermediate Sources	1,427,287	-
State Sources	32,963,134	-
Federal Sources	-	-
Total Revenues	<u>86,796,414</u>	<u>1,161,268</u>
EXPENDITURES:		
Current:		
Instruction	54,279,581	1,080,370
Support Services	28,385,091	46,287
Enterprise and Community Services	-	-
Capital Outlay	541,120	38,342
Debt Service:		
Principal	2,031,630	-
Interest and Other Charges	3,332,930	-
Total Expenditures	<u>88,570,352</u>	<u>1,164,999</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,773,938)</u>	<u>(3,731)</u>
OTHER FINANCING SOURCES (USES):		
Proceeds from Issuance of Long-Term Debt	-	-
Premium on Sale of Long-Term Debt	-	-
Sale/Compensation For Loss of Capital Assets	6,000	-
Transfers In	-	-
Transfers Out	(1,062,330)	-
Total Other Financing Sources (Uses)	<u>(1,056,330)</u>	<u>-</u>
Increase (Decrease) in Inventories	<u>438</u>	<u>-</u>
Net Change in Fund Balance	(2,829,830)	(3,731)
FUND BALANCE, Beginning of Year	<u>17,836,745</u>	<u>175,277</u>
FUND BALANCE, End of Year	<u>\$ 15,006,915</u>	<u>\$ 171,546</u>

DEBT SERVICE	CAPITAL PROJECTS	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 16,576,762	\$ 637,326	\$ -	\$ 66,742,394
144,627	2,987,936	-	3,868,988
-	164,104	5,971,219	9,437,853
-	-	174,000	1,601,287
-	-	1,850,054	34,813,188
-	-	1,874,045	1,874,045
<u>16,721,389</u>	<u>3,789,366</u>	<u>9,869,318</u>	<u>118,337,755</u>
-	2,350,391	4,590,134	62,300,476
-	315,514	1,403,348	30,150,240
-	-	4,464,986	4,464,986
-	90,970,218	2,831	91,552,511
7,875,000	283,305	-	10,189,935
8,991,803	382,446	254,649	12,961,828
<u>16,866,803</u>	<u>94,301,874</u>	<u>10,715,948</u>	<u>211,619,976</u>
<u>(145,414)</u>	<u>(90,512,508)</u>	<u>(846,630)</u>	<u>(93,282,221)</u>
-	27,000,000	-	27,000,000
-	7,345,663	-	7,345,663
-	-	-	6,000
-	-	1,062,330	1,062,330
-	-	-	(1,062,330)
<u>-</u>	<u>34,345,663</u>	<u>1,062,330</u>	<u>34,351,663</u>
<u>-</u>	<u>-</u>	<u>16,460</u>	<u>16,898</u>
(145,414)	(56,166,845)	232,160	(58,913,660)
698,064	157,076,463	1,153,574	176,940,123
<u>\$ 552,650</u>	<u>\$ 100,909,618</u>	<u>\$ 1,385,734</u>	<u>\$ 118,026,463</u>

The accompanying notes are an integral part of the financial statements.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J

CLACKAMAS COUNTY, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Total Net Changes in Fund Balances - Governmental Funds		\$	(58,913,660)
Repayment of bond and note payable principal and compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Additions to compensated absences is an expense for the Statement of Net Position, but not the governmental funds.			11,805,882
Proceeds and premiums from issuance of long-term debt is an other financing source in the governmental funds, but increases long-term debt in the Statement of Net Position.			(34,345,663)
Payments capitalized are reported in governmental funds as capital outlay 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 Assets		\$	91,606,964
Depreciation Expense			<u>(4,365,064)</u>
			87,241,900
In the Statement of Activities, pension expense is adjusted based on the actuarially determined contribution changes.			
Net Change in Pension and OPEB liabilities/assets			(6,684,522)
Net Change in Pension and OPEB deferred outflows of resources			(1,529,017)
Net Change in Pension and OPEB deferred inflows of resources			<u>(73,435)</u>
			(8,286,974)
In the Statement of Activities, interest is accrued on long-term debt, discounts are accreted and premiums are amortized, whereas in the governmental funds it is recorded as an expense when due.			312,297
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 unavailable revenue for all property taxes levied but not received, however in the Statement of Activities, there is no unavailable revenue and the full property tax receivable is accrued.			<u>142,107</u>
Change in Net Position of Governmental Activities		\$	<u><u>(2,044,111)</u></u>

The accompanying notes are an integral part of the financial statements.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lake Oswego School District 7J (the District) is a municipal corporation governed by a separately elected five-member Board of Directors. Administrative officials are approved by the Board. The daily functioning of the District is under the supervision of the Superintendent. As required by accounting principles generally accepted in the United States of America, all activities of the District have been included in the 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. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District has one component unit, the Lake Grove Park District. The Lake Grove Park District is included in the School District's reporting entity because the Board of Directors of the District is financially accountable for the Lake Grove Park District.

The Lake Grove Park District's financial statements appear as a discretely presented component unit in the financial statements. They are presented as a separate column to emphasize that they are legally separate from the School District. The Park District was organized under provisions of Oregon Revised Statutes Chapter 390 for the purpose of operating a park district. It is restricted by deed to use by residents of the former Lake Grove School District No. 106. Detailed information about the Park District's budgetary compliance and compliance with laws and regulations is contained in the component unit financial report of Lake Grove Park District. The Park District's address is the same as Lake Oswego School District No. 7J.

Private citizens of the Lake Oswego School District area formed the Lake Oswego School District Foundation in 1986 as a separate, independent non-profit corporation. The Foundation is not a component unit of the District, but it does raise money for the benefit of the District. Included in the Special Revenue Funds' local revenues are Foundation contributions totaling \$1.011 million for the year ended June 30, 2020.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the governmental financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities, except that interfund services are not eliminated. Program revenues include:

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

(1) charges to students or others for tuition, fees, rentals, material, supplies or services provided and (2) operating grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

Net position is reported as restricted when constraints placed on the use of net assets are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each governmental fund category are presented. The emphasis of fund financial statements is on major governmental funds, each being displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund. Principal revenue sources are an apportionment from the State of Oregon and property taxes.

Community Contributions Fund - This fund accounts for revenues and expenditures of contributions from various community groups and the Lake Oswego Schools Foundation for specific educational projects or programs. This fund is presented as major due to the importance of the information to voters.

Debt Service Fund - This fund accounts for the payment of principal and interest on general obligation bonded debt. Principal revenue sources are property taxes.

Capital Projects Fund - This fund is used to account for the District's major construction projects. Proceeds from the sale of bonds and Full Faith and Credit obligations are the main source of funding.

In addition, the District reports the following as nonmajor governmental funds:

Special Revenue Funds

Grants Fund - This fund accounts for revenues and expenditures of Federal and State grants which are designated for specific educational projects or programs.

Community Services Fund - This fund accounts for fee-based programs designated to enhance educational opportunities for members of the community. The primary source of revenues are fees charged to participants.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Special Revenue Funds (Continued)

Student Activity Fund - This fund accounts for fee-based extracurricular activities at each of the District's schools. The primary source of revenues are fees charged to participants.

Food Service Fund - This fund accounts for the various food service programs provided by the District. The sale of food and federal subsidies administered by the State are the major revenue sources.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both net position - restricted and net position - unrestricted available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general resources.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash and Investments

The District's investments consist of U.S. Treasury obligations, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). U.S. Treasury obligations and Government Agency securities are stated at fair market value except in the budgetary statements where they are stated at cost. The LGIP is stated at cost which approximates fair value. Unrealized gains or losses on investments are a reconciling item between the GAAP and budgetary statements.

The Oregon State Treasury administers the LGIP. It is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes Receivable

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are recorded on the statement of net position. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

Accounts and Other Receivables

Accounts and other receivables are comprised primarily of State school support and claims for reimbursement of costs under various federal and state grants. No allowance for doubtful accounts is deemed necessary.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category, arising only under the accrual basis of accounting. As such, these items, *PERS and Stipend Pension deferred outflows* and *OPEB deferred outflows*, which relate to PERS and OPEB contributions, only appear on the statement of net position.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. Two items, *PERS and Stipend Pension deferred inflows* and *OPEB deferred inflows*, arise only under a full accrual basis of accounting and only appear on the statement of net position. The other item, *unavailable revenue – property taxes*, only arises under a modified accrual basis of accounting and as such, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Grants and Unearned Revenue

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as unearned revenue on the statement of net position and the balance sheet.

Inventories

School operating supplies, maintenance supplies, and food and other cafeteria supplies are stated at average invoice cost. Commodities purchased from the United States Department of Agriculture in the Food Service Fund are included in the District's inventories at USDA wholesale value. The District accounts for the inventory based on the purchase method. Under this method, inventory is recorded as an expenditure when purchased. Inventory amounts at year-end are recorded on the governmental funds balance sheet as nonspendable fund balance. Donated commodities consumed during the year are reported as revenues and expenditures. The amount of unused, donated commodities at the balance sheet date is considered immaterial for reporting purposes.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The District defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated life in excess of one year.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Vehicles and equipment	5 to 15 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.

Other Postemployment Benefits (OPEB)

Permanent employees who have 10-15 years of regular service in the District may be eligible for supplemental post-employment benefits under the terms of certain bargained agreements. Access to healthcare insurance benefits based on group rates are also available to former employees under Oregon Revised Statutes (ORS) 243.303, which requires that, for the purposes of establishing healthcare insurance premiums, the rate must be based on all plan members, including both active employees and retirees. Benefits under these agreements and ORS 243.303 are funded on a current basis in the General Fund. For the purpose of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB pension expense, information about the net position of OPEB and additions to/deductions from OPEB's net position have been determined on the basis of a June 30, 2019 actuarial valuation. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

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 District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences will be paid from general revenues and are expected to be paid out within 12 months.

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund. In addition, certain funds budgeted as Special Revenue Funds may be reported as part of the General Fund because their source of funds is primarily transfers from the General Fund.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Definitions of Governmental Fund Types (Continued)

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenues sources” means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years should also be reported in debt service funds.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Long-term Debt

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

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

Budget

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. The budgetary basis of accounting is the same as accounting principles generally accepted in the United States of America for the governmental fund types except that capital outlay expenditures, including items below the District’s capitalization level, are budgeted by major function in governmental fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget (Continued)

Appropriations are established at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. The budget is adopted, appropriations made, and the tax levy declared no later than June 30 each year. Unexpected additional resources may be added to the budget through the use of a supplemental budget or appropriation resolution.

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

Use of Estimates

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

CASH AND INVESTMENTS

The District maintains an internal cash and investments pool that is available for use by all funds. Each fund type's portion of the pool is displayed in the basic financial statements as Cash and Investments or Amounts Due To/From Other Funds. Checks presented to the bank are covered by transfers from the Local Government Investment Pool on at least a weekly basis.

Cash and investments are comprised of the following as of June 30, 2020:

Cash and Investments

Cash on hand	\$ 8,265
Deposits with financial institutions	4,397,386
Investments	131,856,488
	<u>\$ 136,262,139</u>

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2020

CASH AND INVESTMENTS (Continued)

Deposits

The District's deposits with various financial institutions had a bank value of \$5,104,162 and a book value of \$4,397,386 at year end. The difference is due to transactions in process. Deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the District's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2020, \$4,354,162 of the District's bank balances were covered by the PFCP.

Investments

As of June 30, 2020, the District held the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in years</u>	<u>% of portfolio</u>
US Treasury Notes	\$ 40,033,755	0.974	30.4%
US Agency Investments	52,160,028	0.931	39.6%
Local Government Investment Pool	39,662,705	0.003	30.1%
	<u>\$ 131,856,488</u>	<u>1.908</u>	<u>100.0%</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments in U.S. Treasury and U.S. Agency securities are valued using pricing models maximizing the use of observable inputs for similar securities (Level 2 inputs).

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

CASH AND INVESTMENTS (Continued)

Investments (Continued)

The District's investment objective is foremost to preserve capital and protect investment principal, to conform with federal, state, and other legal requirements, to maintain sufficient liquidity to meet operating requirements, to diversify to avoid unreasonable risks regarding security instruments or individual institutions, and to attain a reasonable rate of return.

With the exception of pass-through funds, the maximum amount of pooled investments to be placed in the Local Government Investment Pool is limited by Oregon Statute to approximately \$50.4 million, which will increase proportionately to the Portland Consumer Price Index. The limit can be temporarily exceeded for ten business days and does not apply either to pass-through funds or to funds invested on behalf of another governmental unit.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the investments above, except for the investment in the Local Government Investment Pool which is not evidenced by securities, are held in safekeeping by the financial institution counterparty in the financial institution's general customer account name.

Credit Risk

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper and the State of Oregon Treasurer's Local Government Investment Pool. The District's policy, which adheres to State of Oregon law, is to limit its investments to the following: Issuers within Oregon must be rated "AA" or better (bonds) or A-1/P-1 (commercial paper) or better by a nationally recognized statistical rating organization.

The Oregon State Treasurer maintains the Oregon Short Term Fund, of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, funds are invested as a prudent investor would, exercising reasonable care, skill and caution. The Oregon Short Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. LGIP was created to offer a short-term investment alternative to Oregon local governments. The investments are regulated by the Oregon Short Term Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2020, the fair value of the position in the Oregon State Treasurer's Short Term Investment Pool was approximately equal to the value of the pool shares. Separate financial statements for the Oregon Short Term Fund are available from the Oregon State Treasurer. The LGIP is not rated for credit risk.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2020

CASH AND INVESTMENTS (Continued)

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet the cash requirement for ongoing operations, thereby avoiding the need to sell securities in the open market, and invest operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limit the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The District's policy for investing in individual issuers varies depending on the type of investments. U.S. treasury obligations do not have restrictions regarding concentration with any one issuer. U.S. agency securities are limited to no more than one-third of the portfolio and may be invested in any specific agency. Bankers Acceptances must be purchased from an Oregon chartered financial institution. Certificates of deposit of commercial banks shall not represent more than 10% of the total portfolio at settlement. Investments in commercial paper or corporate indebtedness with any one issuer may not exceed 5% of the total portfolio at settlement date.

As a means to comply with the District's investment objectives, the policy limits investments as follows:

<i>General Investment Type</i>	<i>Maximum % of Portfolio</i>	<i>Maximum length to maturity</i>
Certificates of Deposit	100%	2 years
U.S. Treasury Obligations (Bills, Notes, Bonds)	100%	2 years
Local Government Investment Pool	100%	1 day
Federal Agency Securities	50%	2 years
Repurchase Agreements	25%	2 years
Banker's Acceptances	50%	2 years
<i>Bond Proceed Investment Type</i>	<i>Maximum % of Portfolio</i>	<i>Maximum length to maturity</i>
Certificates of Deposit	100%	3 years
U.S. Treasury Obligations (Bills, Notes, Bonds)	100%	3 years
Local Government Investment Pool	100%	1 day
Banks Deposits (Bank Deposits and LGIP minimum of 10% of Portfolio)	100%	1 day
Federal Agency Securities	33%	3 years
Repurchase Agreements	25%	3 years
Banker's Acceptances	50%	3 years

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

RECEIVABLES

Receivables are comprised of the following as of June 30, 2020:

Property taxes receivable		
General Fund	\$	1,650,986
Debt Service Fund		531,085
Total property taxes receivable		<u>2,182,071</u>
Accounts, grants and accrued interest receivable		
General Fund		362,744
Community Contributions Fund		27,691
Debt Service Fund		483
Capital Projects Fund		561,382
Other Nonmajor Governmental Funds		<u>2,461,439</u>
Total accounts, grants and accrued interest receivable		<u>3,413,739</u>
Total	\$	<u><u>5,595,810</u></u>

INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund receivable and payable balances as of June 30, 2020 is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 1,096,187	\$ -
Community Contributions	992,649	-
Capital Projects	181,199	-
Other Nonmajor Governmental Funds	<u>159,708</u>	<u>2,429,743</u>
Total	<u>\$ 2,429,743</u>	<u>\$ 2,429,743</u>

Interfund receivables and payables arise during normal processing of receipts and disbursements for all funds through a single checking account and do not represent interfund loans.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

CAPITAL ASSETS

Capital assets activity for the year was as follows:

	<i>Balances July 1, 2019</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2020</i>
Capital assets not being depreciated:				
Land	\$ 9,297,870	\$ -	\$ -	\$ 9,297,870
Construction in progress	32,073,252	90,329,180	(34,881,734)	87,520,698
<i>Total Capital Assets Not Being Depreciated</i>	<u>41,371,122</u>	<u>90,329,180</u>	<u>(34,881,734)</u>	<u>96,818,568</u>
Capital assets being depreciated:				
Buildings and improvements	141,696,455	33,730,394	-	175,426,849
Vehicles and equipment	12,871,087	2,429,124	(138,081)	15,162,130
<i>Total Capital Assets Being Depreciated</i>	<u>154,567,542</u>	<u>36,159,518</u>	<u>(138,081)</u>	<u>190,588,979</u>
Less accumulated depreciation for:				
Buildings and improvements	(51,317,526)	(3,275,394)	-	(54,592,920)
Vehicles and equipment	(3,717,922)	(1,089,670)	138,081	(4,669,511)
<i>Total Accumulated Depreciation</i>	<u>(55,035,448)</u>	<u>(4,365,064)</u>	<u>138,081</u>	<u>(59,262,431)</u>
<i>Total Capital Assets Being Depreciated, net</i>	<u>99,532,094</u>	<u>31,794,454</u>	<u>-</u>	<u>131,326,548</u>
<i>Total Capital Assets, net</i>	<u>\$ 140,903,216</u>	<u>\$ 122,123,634</u>	<u>\$ (34,881,734)</u>	<u>\$ 228,145,116</u>

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

LONG-TERM DEBT

The following is a summary and changes of long-term debt during the year ended June 30, 2020:

	<u>Original Issue</u>	<u>Outstanding July 1, 2019</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2020</u>	<u>Amounts Due in One Year</u>
General obligation bonds used for						
Capital Purposes:						
August 4, 2005	\$ 80,740,000	\$ 42,945,000	\$ -	\$ (5,320,000)	\$ 37,625,000	\$ 5,840,000
August 24, 2017	160,000,000	154,635,000	-	(2,555,000)	152,080,000	1,265,000
April 2, 2020	27,000,000	-	27,000,000	-	27,000,000	340,000
Total G.O. Bonds		<u>197,580,000</u>	<u>27,000,000</u>	<u>(7,875,000)</u>	<u>216,705,000</u>	<u>7,445,000</u>
Pension Bonds:						
October 1, 2002	23,926,732	16,728,487	-	(508,488)	16,219,999	-
April 1, 2003	16,302,037	10,583,358	-	(439,448)	10,143,910	433,158
August 1, 2011	1,660,000	1,660,000	-	-	1,660,000	1,660,000
Total Pension Bonds		<u>28,971,845</u>	<u>-</u>	<u>(947,936)</u>	<u>28,023,909</u>	<u>2,093,158</u>
Total		<u>226,551,845</u>	<u>27,000,000</u>	<u>(8,822,936)</u>	<u>244,728,909</u>	<u>9,538,158</u>
Amortization of premiums		16,341,768	7,345,663	(768,432)	22,918,999	1,023,886
Accretion of discount		<u>3,839,112</u>	<u>378,398</u>	<u>(1,763,403)</u>	<u>2,454,107</u>	<u>808,988</u>
Total bonds payable		246,732,725	34,724,061	(11,354,771)	270,102,015	11,371,032
Direct Borrowings:						
2019 Full faith and credit obligations	15,000,000	15,000,000	-	(850,000)	14,150,000	855,000
2015 Full faith and credit obligations	8,371,000	<u>6,436,000</u>	<u>-</u>	<u>(517,000)</u>	<u>5,919,000</u>	<u>525,000</u>
Total		<u>\$ 268,168,725</u>	<u>\$ 34,724,061</u>	<u>\$ (12,721,771)</u>	<u>\$ 290,171,015</u>	<u>\$ 12,751,032</u>
General obligation bonds - issued August 4, 2005, due in annual installments of \$570,000 to \$8,275,000 plus interest paid semi-annually at 4.13% to 5.5% through 2026.					\$ 37,625,000	
General obligation bonds - issued August 24, 2017, due in annual installments of \$1,265,000 to \$13,415,000 plus interest paid semi-annually at 4% to 5% through 2043.					152,080,000	
General obligation bonds - issued April 2, 2020 due in annual installments of \$340,000 to \$4,110,000 plus interest paid semi-annually at 4% to 5% through 2041.					27,000,000	
Pension obligation bonds - issued October 9, 2002, due in annual installments of \$62,817 to \$3,175,000 plus interest paid semi-annually at 2.1% to 6.1% through 2028.					16,219,999	
Pension obligation bonds - issued April 3, 2003, due in annual installments of \$28,701 to \$2,250,000 plus interest paid semi-annually at 1.5% to 6.27% through 2028.					10,143,910	
Pension bonds - issued August 2011, due in one lump sum at maturity of \$1,660,000, plus interest paid semi-annually at 4.12% through 2021.					1,660,000	
Unamortized premiums and accretion of discount.					25,373,106	
Full faith and credit obligations - issued June 18, 2019 due in annual installments of \$850,000 to \$1,185,000 plus interest paid semiannually at 2.56% through 2034.					14,150,000	
Full faith and credit obligations - issued June 2, 2015 due in annual installments of \$464,000 to \$662,000 plus interest paid semiannually at 2.545% through 2030.					5,919,000	
Total long-term debt					<u>\$ 290,171,015</u>	

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

LONG-TERM DEBT (Continued)

Future maturities on bonds are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2021	\$ 9,538,158	\$ 12,074,973	\$ 21,613,131
2022	10,633,095	11,744,279	22,377,374
2023	11,857,656	11,294,226	23,151,882
2024	14,380,000	9,627,514	24,007,514
2025	15,975,000	8,871,684	24,846,684
2026-2030	40,630,000	35,222,323	75,852,323
2031-2035	42,895,000	26,258,300	69,153,300
2036-2040	61,240,000	15,305,800	76,545,800
2041-2043	37,580,000	3,077,000	40,657,000
	<u>\$ 244,728,909</u>	<u>\$ 133,476,099</u>	<u>\$ 378,205,008</u>

General obligation bonds are direct obligations and pledge the full faith and credit of the District. The District issues general obligation bonds to provide funds for the acquisition and construction of District school facilities. The general obligation bonds will be paid from general property tax revenues from the Debt Service Fund.

Pension obligation bonds will be paid from resources of each fund based on their pro-rata share of each year's pension obligation debt service. The pro-rata share is determined on the basis of each fund's annual PERS contribution expenditures as a percentage of total annual PERS contribution expenditures.

The pension bonds are subject to an intercept agreement of state school revenues. The intercept payment provides accumulations of a portion of direct payments from the Oregon Department of Education of pledged revenues in amounts sufficient to pay principal and interest due on the pension bonds. Accumulations, held until payments are due, are invested in restricted cash equivalent investments managed by a trustee.

The debt service on the 2015 Full Faith and Credit obligation is paid from the General Fund. In the event of default, the lender may exercise any remedy available at law or in equity, except for acceleration. The lender may also declare that the principal amount then outstanding shall bear interest at 5.545%.

In June 2019, the District issued \$15 million in Full Faith and Credit Obligations with various maturities through 2034 with interest at 2.56% per annum. Proceeds paid for acquisition of two separate parcels of real property and planned future improvements thereon and \$5 million for targeted athletic facility improvements. The debt service on the athletic facility improvements is paid from construction excise tax receipts in the Capital Projects Funds; the debt service on the remaining \$10 million is paid from the General Fund. In the event of default, the lender may exercise any remedy available at law or in equity, except for acceleration.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2020

LONG-TERM DEBT (Continued)

Future debt service requirements on full faith and credit obligations are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2021	\$ 1,380,000	\$ 512,879	\$ 1,892,879
2022	1,413,000	477,629	1,890,629
2023	1,451,000	441,537	1,892,537
2024	1,490,000	404,475	1,894,475
2025	1,528,000	366,417	1,894,417
2026-2030	8,242,000	1,225,973	9,467,973
2031-2034	4,565,000	315,808	4,880,808
	<u>\$ 20,069,000</u>	<u>\$ 3,744,718</u>	<u>\$ 23,813,718</u>

Compensated absences activity for the year is as follows:

	<i>Outstanding July 1, 2019</i>	<i>Increases</i>	<i>Decreases</i>	<i>Outstanding June 30, 2020</i>	<i>Amount Due in One Year</i>
Compensated absences	<u>\$ 584,130</u>	<u>\$ 731,586</u>	<u>\$ (584,130)</u>	<u>\$ 731,586</u>	<u>\$ 731,586</u>

Compensated absences will be paid from general revenues and paid from the General Fund.

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020 are as follows:

	<i>Transfers In</i>	<i>Transfers Out</i>
General fund	\$ -	\$ 1,062,330
Other nonmajor funds	1,062,330	-
Total	<u>\$ 1,062,330</u>	<u>\$ 1,062,330</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The District transferred funds to its Food Services Fund, Grants Fund and Community Services Fund to cover operating deficits in their programs and to maintain compliance with local budget law that limits instances under which a fund may not have a deficit fund balance.

PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employee 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/financials/Actuarial-Financial-Information.aspx>.

Oregon Public Service Retirement Plan Pension Program (OPSRP DB)

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. The 2003 Oregon Legislature passed PERS reform legislation that essentially created a new retirement plan for employees hired on or after August 29, 2003. These employees became members of the Oregon Public Service Retirement Plan (OPSRP). OPSRP is a hybrid retirement plan with two components: the Pension Program (defined benefit plan) and the Individual Account Program (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan). OPSRP is administered by PERS.

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.

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.

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.

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.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

PENSION PLAN (Continued)

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, 2017 actuarial valuation, which became effective July 1, 2019. 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, 2020 were \$6,306,144, excluding amounts to fund employer specific liabilities. Employer PERS pension expense of \$8,696,949 was recognized during the reporting period.

At June 30, 2020, the District reported a net pension liability of \$59,728,707 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. 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 June 30, 2019, the District's proportion was 0.345 percent, a decrease of 0.002 percent from June 30, 2018.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2020

PENSION PLAN (Continued)

	<i>Deferred Outflow of Resources</i>	<i>Deferred (Inflow) of Resources</i>
Difference between expected and actual experience	\$ 3,293,862	\$ -
Changes in assumptions	8,102,881	-
Net difference between projected and actual earnings on pension plan investments	-	(1,693,248)
Changes in proportionate share	2,522,874	(198,039)
Difference between employer contributions and employer's proportionate share of system contributions	-	(3,230,253)
Subtotal - Amortized Deferrals	13,919,617	(5,121,540)
District contributions subsequent to measurement date	6,306,144	-
Total deferred outflow (inflow) of resources	<u>\$ 20,225,761</u>	<u>\$ (5,121,540)</u>
Net deferred outflow (inflow) of resources		<u>\$ 15,104,221</u>
Net Amortized Deferrals (below)		<u>\$ 8,798,077</u>

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

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 5,561,076
2022	430,504
2023	1,675,893
2024	1,104,823
2025	25,781
Total	<u>\$ 8,798,077</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB Statement No. 68 reporting summary dated March 17, 2020.

Actuarial Valuations

The employer contribution rates effective July 1, 2019 through June 30, 2021, 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), and (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.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2020

PENSION PLAN (Continued)

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.

Actuarial Methods and Assumptions

Valuation date	December 31, 2017
Measurement date	June 30, 2019
Experience study	2016, published July 26, 2017
Actuarial cost method	Entry age normal
Actuarial Assumptions	
Inflation Rate	2.50%
Long-term expected rate of return	7.2%
Discount rate	7.2%
Projected salary increases	3.50%
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, SSD Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: RP-2014 Employees, sex-distinct, generational with Unisex, SSD Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

(Source: June 30, 2019 PERS CAFR; page 71)

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 2016 Experience Study which is reviewed for the four-year period ending December 31, 2016.

PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.20 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.

Depletion Date Projection – GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

(Source: June 30, 2019 PERS CAFR; page 70)

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

PENSION PLAN (Continued)

Assumed Asset Allocation

Asset Class/Strategy	OIC Policy Range	Current Year Target
Debt Securities	15.0 - 25.0	20.0
Public Equity	32.5 - 42.5	37.5
Real Estate	9.5 - 15.5	12.5
Private Equity	14.0 - 21.0	17.5
Alternative Equity	0.0 - 12.5	12.5
Opportunity Portfolio	0.0 - 3.0	0.0
Total		100.0%

(Source: June 30, 2019 PERS CAFR; page 100)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2017 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

(Source: June 30, 2019 PERS CAFR; page 70)

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2020

PENSION PLAN (Continued)

Long-Term Expected Rate of Return (Continued)

Asset Class	Target Allocation *	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00 %	3.59 %	3.49 %	4.55 %
Short-Term Bonds	8.00	3.42	3.38	2.70
Bank / Leverages Loans	3.00	5.34	5.09	7.50
High Yield Bonds	1.00	6.90	6.45	10.00
Large / Mid Cap US Equities	15.75	7.45	6.30	16.25
Small Cap US Equities	1.31	8.49	6.69	20.55
Micro Cap US Equities	1.31	9.01	6.80	22.90
Developed Foreign Equities	13.13	8.21	6.71	18.70
Emerging Market Equities	4.13	10.53	7.45	27.35
Non-US Small Cap Equities	1.88	8.67	7.01	19.75
Private Equity	17.50	11.45	7.82	30.00
Real Estate (Property)	10.00	6.15	5.51	12.00
Real Estate (REITS)	2.50	8.26	6.37	21.00
Hedge Fund of Funds - Diversified	2.50	4.36	4.09	7.80
Hedge Fund - Event-Driven	0.63	6.21	5.86	8.90
Timber	1.88	6.37	5.62	13.00
Farmland	1.88	6.90	6.15	13.00
Infrastructure	3.75	7.54	6.60	14.65
Commodities	1.88	5.43	3.84	18.95
Assumed Inflation - Mean			2.50 %	1.85 %

(Source: June 30, 2019 PERS CAFR: page 74)

Sensitivity - The District's proportionate share of the net pension liability is sensitive 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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 95,650,224</u>	<u>\$ 59,728,707</u>	<u>\$ 29,667,345</u>

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

PENSION PLAN (Continued)

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

<http://www.oregon.gov/PERS/pages/index.aspx>

OPSRP Individual Account Program (OPSRP IAP)

Plan Description – ORS Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member’s IAP account. OPSRP is part of Oregon PERS, and is administered by the Oregon PERS Board.

Pension Benefits – An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member 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, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits – Upon the death of a non-retired member, the beneficiary receives in a lump sum the member’s account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump sum payment.

Contributions – The District pays the 6 percent of regular employee’s covered payroll. Total District paid contributions were \$2,770,000 for the year ended June 30, 2020. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2020.

Early Retirement Program

The District sponsors an early retirement program with two main plans: stipend benefits and medical benefits. Both plans are valued on an actuarial basis. The most recent actuarial valuation date was June 30, 2019. As of June 30, 2020, program participants included 763 active employees and 83 retired employees or beneficiaries currently receiving benefits.

Early Retirement Incentives

Description - The District maintains a single-employer early retirement supplement program for teachers or administrators who retire with 10 to 15 years of regular service to the District. The program provides a stipend that, depending on age and years of service at retirement, ranges from \$200 to \$475 per month for a full-time employee for up to 7 years or age 65, whichever occurs first. This pension-type benefit is required to be valued under GASB Statement No. 73. The District does not issue a standalone report for this plan.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2020

PENSION PLAN (Continued)

Funding Policy

The District provides payments in accordance with current contracts on a pay-as-you-go basis. At June 30, 2020, the District was providing early retirement benefits to 61 former teachers or administrators.

The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan. Instead, the activities of the plan are reported in the Governmental Funds as the incentive payments are paid. During the year ended June 30, 2020, governmental fund expenditures related to early retirement stipend benefits totaled \$154,477.

Total Stipend Pension Liability

The District's total Stipend pension liability as of June 30, 2020 of \$1,742,241 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019 using the Entry Age Normal Level Percent of Pay Cost Method.

Actuarial assumptions and other inputs

The total stipend pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50%
Salary increases, average, including inflation	3.50%
Discount rate	3.50%

- The discount rate is based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The index used is the Bond Buyer 20-Year GO Municipal Bond Index.
- Employer funding policy is on a pay-as-you-go cash basis.
- Mortality rates were generally the same rates as used in the December 31, 2017 PERS actuarial valuation.
- The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2019.

Changes in the Total Stipend Pension Liability

	<u>Total Stipend Pension Liability</u>
Balance at July 1, 2019	\$ 1,771,912
Changes for the year:	
Service cost	60,583
Interest on Total Pension Liability	59,398
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments - Stipends	(149,652)
Net changes	<u>(29,671)</u>
Balance at June 30, 2020	<u>\$ 1,742,241</u>

There were no significant changes in assumptions or benefit terms since the valuation date.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2020

PENSION PLAN (Continued)

The following presents the total stipend pension liability of the District, as well as what the District's total stipend pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current discount rate:

Sensitivity of the Total Stipend Pension Liability to Changes in the Discount Rate

	<i>1% Decrease</i> <i>(2.5%)</i>	<i>Discount Rate</i> <i>(3.5%)</i>	<i>1% Increase</i> <i>(4.5%)</i>
Total Stipend Pension Liability on June 30, 2020	\$ 1,823,434	\$ 1,742,241	\$ 1,662,060

Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to Stipends

For the year ended June 30, 2020, the District recognized stipend pension expense of \$17,652. At June 30, 2020, the District reported deferred outflow of resources and deferred inflow of resources related to the stipend plan from the following sources:

	<i>Deferred Outflow</i> <i>of Resources</i>	<i>Deferred (Inflow)</i> <i>of Resources</i>
Net difference between projected and actual earnings on investments	\$ 57,745	\$ (644,902)
Changes of assumptions and other inputs	14,314	(147,510)
Total deferred outflow (inflow) of resources	<u>\$ 72,059</u>	<u>\$ (792,412)</u>
Net deferred outflow (inflow) of resources, amortized below		<u>\$ (720,353)</u>

Amounts reported as deferred outflow of resources and deferred inflow of resources related to stipends will be recognized in pension expense as follows:

<i>Year ending June 30,</i>	<i>Amount</i>
2021	\$ (102,329)
2022	(102,329)
2023	(102,329)
2024	(102,329)
2025	(102,329)
Thereafter	(208,708)
Total	<u>\$ (720,353)</u>

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

OTHER POST EMPLOYMENT BENEFITS (OPEBs)

The District contributes to a retirement health insurance account through the Oregon Public Employee Retirement System and maintains a post-employment health insurance subsidy benefit for its eligible employees. The following summarizes the June 30, 2020, components of the OPEB asset/liability and the deferred inflows/outflows for each.

	Retirement Health	Retirement Health	
	Insurance Account	Insurance Subsidy	Total
Net OPEB Asset	\$ 760,402	\$ -	\$ 760,402
Total OPEB Liability	-	11,907,952	11,907,952
Deferred Outflows of Resources	52,408	657,389	709,797
Deferred Inflows of Resources	154,155	743,221	897,376
OPEB Expense (Revenue)	(150,933)	833,365	682,432

Retirement Health Insurance Account

Plan Description – As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by the OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. The plan, which was established under Oregon Revised Statutes (ORS) 238.420, provides for a payment of up to \$60 per month toward the costs of Medicare companion health insurance for eligible retirees. A comprehensive annual financial report of the funds administered by the OPERS may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700 or by accessing the PERS website at www.oregon.gov/PERS/.

Funding Policy – Participating school districts are contractually required to contribute at a rate assessed each year by the OPERS: rates for the year ended June 30, 2020 were 0.06% of annual covered OPERF payroll and 0.00% of covered OPSRP payroll. The OPERS Board of Trustees sets the rates based on the annual required contribution (ARC) of the employers, an amount actuarially determined. 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) of the plan over a period not to exceed thirty years. The District’s contributions to RHIA for the years ended June 30, 2020, 2019, and 2018 were \$50,926, \$195,031, and \$185,096, which equaled the required contributions each year.

At June 30, 2020, the District reported a net OPEB liability/(asset) of (\$760,402) for its proportionate share of the net OPEB liability/(asset). The OPEB liability/(asset) was measured as of June 30, 2019, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2017. Consistent with GASB Statement No. 75, paragraph 59(a), the District’s proportion of the net OPEB liability/(asset) is determined by comparing the employer’s actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. As of the measurement date of June 30, 2019, the District’s proportion was 0.39 percent. OPEB expense related to RHIA for the year ended June 30, 2020 was a credit of \$150,933. The major actuarial assumptions and long-term expected rate of return for the RHIA OPEB liability/(asset) are essentially the same as the major assumptions for the PERS plan. Except for information on discount rate sensitivity and deferred outflows and inflows of resources, the other standard GASB disclosures for the RHIA OPEB are immaterial and accordingly are not disclosed.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2020

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

At June 30, 2020, the District reported deferred outflow of resources and deferred inflow of resources related to the RHIA OPEB from the following sources:

	<i>Deferred Outflow of Resources</i>	<i>Deferred (Inflow) of Resources</i>
Difference between expected and actual experience	\$ -	\$ (100,274)
Changes of assumptions and other inputs	1,482	(53,881)
Subtotal - Amortized Deferrals	1,482	(154,155)
District contributions subsequent to measurement date	50,926	-
Total deferred outflow (inflow) of resources	<u>\$ 52,408</u>	<u>\$ (154,155)</u>
Net deferred outflow (inflow) of resources		<u>\$ (101,747)</u>
Net Amortized Deferrals (below)		<u>\$ (152,673)</u>

Amounts reported as deferred outflow of resources and deferred inflow of resources related to the RHIA OPEB will be recognized in OPEB expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ (77,555)
2022	(70,974)
2023	(8,979)
2024	4,835
Total	<u>\$ (152,673)</u>

The following presents the District's proportionate share total of the net RHIA OPEB liability/(asset), as well as what the District's proportionate share would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current discount rate:

	<u>1% Decrease (6.2%)</u>	<u>Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
District's proportionate share of the Net OPEB Liability (Asset)	<u>\$ (589,508)</u>	<u>\$ (760,402)</u>	<u>\$ (906,016)</u>

Sensitivity of the District's proportionate share of the net RHIA OPEB liability (asset) to changes in the healthcare cost rate

The net OPEB liability (asset) for the District's Retirement Health Insurance Account is (\$760,402). The ORS stipulates a \$60 monthly payment, so there would be no change to the total OPEB liability if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates.

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

Early Retirement Program

Postemployment Healthcare Benefits

Description - The District, as a result of collective bargaining agreements, offers postemployment health care benefits for qualified employees as described in the summary of significant accounting policies section of this report. The District does not issue a standalone report for this plan.

Funding Policy

The District provides payments in accordance with current employee contracts on a pay-as-you-go basis. At June 30, 2020, the District was providing early retirement incentive health care benefits to 81 former employees.

The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan. Instead, the activities of the plan are reported in the Governmental Funds as the insurance benefits are paid. Governmental fund expenditures related to early retirement insurance benefits totaled \$524,916 during the year ended June 30, 2020.

The actuarially determined total Health Insurance OPEB liability is recorded in the Statement of Net Position as more fully described below.

Postemployment Health Insurance Subsidy

Plan Description - The District operates a single-employer retiree benefit plan that provides postemployment health, dental and vision insurance benefits to eligible employees and their spouses. The most recent valuation was June 30, 2019. As of the most recent valuation date, program participants included 83 retired members in the plan and 763 active members who were or will become eligible to participate in the plan, assuming they meet eligibility requirements by the time they retire. Benefits and eligibility for members are established through bargaining agreements and state law.

Funding Policy

The level of benefits provided by the plan is generally the same as that afforded to active employees. Coverage is provided to retirees, spouses, and domestic partners until they become eligible for Medicare, typically age 65, and eligible dependents until age 26. The District's post-retirement healthcare subsidy plan was established in accordance with Oregon Revised Statutes (ORS) 243.303, which stipulates that for establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims costs (which, because of the effect of age, is generally higher in comparison to all plan members) and the amount of retiree healthcare premiums represents the District's implicit rate subsidy.

The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan. Instead, the activities of the plan are reported in the Governmental Funds.

The benefits from this program are paid by either the District or the retired employees on a contributory or self-pay basis. Required contributions are financed on a pay-as-you go basis. There is no obligation on the part of the District to fund these benefits in advance.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2020

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

Total Health Insurance OPEB Liability

The District's total health insurance OPEB liability of \$11,907,952 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019 using the Entry Age Normal Level Percent of Pay Cost Method.

Actuarial assumptions and other inputs

The total health insurance OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50%
Salary increases, average, including inflation	3.50%
Discount rate	3.50%
Healthcare cost trend rates 4% for all medical plans for all years	4.00%

- The discount rate is based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The index used is the Bond Buyer 20-Year GO Municipal Bond Index.
- Employer funding policy is on a pay-as-you-go cash basis.
- Mortality rates were generally the same rates as used in the December 31, 2017 PERS actuarial valuation.
- The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2019.

Changes in the Total Health Insurance OPEB Liability

	Total Health Insurance OPEB Liability
	<u> </u>
Balance at July 1, 2019	\$ 11,979,185
Changes for the year:	
Service cost	486,710
Interest on Total OPEB Liability	402,464
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments - Medical premiums	(548,755)
Benefit payments - Implicit subsidy	(411,652)
Net changes	<u>(71,233)</u>
Balance at June 30, 2020	<u>\$ 11,907,952</u>

There were no significant changes in assumptions and benefit terms since the last valuation date.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2020

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

Sensitivity of the Total Health Insurance OPEB Liability to Changes in the Discount Rate

The following presents the total health insurance OPEB liability of the District, as well as what the District's total Health Insurance OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current discount rate:

	<u>1% Decrease (2.5%)</u>	<u>Discount Rate (3.5%)</u>	<u>1% Increase (4.5%)</u>
Total Health Insurance OPEB Liability on June 30, 2020	\$ 12,721,029	\$ 11,907,952	\$ 11,145,306

Sensitivity of the Total Health Insurance OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the total health insurance OPEB liability of the District, as well as what the District's total health insurance OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rates</u>	<u>1% Increase</u>
Total Health Insurance OPEB Liability on June 30, 2020	\$ 11,108,196	\$ 11,907,952	\$ 12,850,151

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Healthcare

For the year ended June 30, 2020, the District recognized health insurance related OPEB expense of \$833,365. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the health insurance benefits plan from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred (Inflow) of Resources</u>
Difference between expected and actual experience	\$ -	\$ (694,999)
Changes of assumptions and other inputs	657,389	(48,222)
Total deferred outflow (inflow) of resources	<u>\$ 657,389</u>	<u>\$ (743,221)</u>
Net deferred outflow (inflow) of resources		<u>\$ (85,832)</u>

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2020

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

Amounts reported as deferred outflow of resources and deferred inflow of resources related to medical benefits will be recognized in OPEB expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ (55,809)
2022	(55,809)
2023	(55,809)
2024	(55,809)
2025	(55,809)
Thereafter	193,213
Total	<u>\$ (85,832)</u>

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District purchases commercial insurance. There were no significant reductions in insurance coverage from coverage in prior years in any of the major categories of risk. The amounts of any settlements have not exceeded insurance coverage for the past three fiscal years.

The District is self-insured for costs of unemployment insurance and costs up to maximum out-of-pocket (MOP) limits between \$1,100 to \$3,300 for medical insurance plans that otherwise would have MOP of \$4,500 to \$6,550 per person.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are 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's unemployment claims and MOP are recorded as a payable in the District's General Fund. Claims activity, including estimated incurred but not reported claims, for the fiscal years ended June 30, 2020, 2019, and 2018 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning accrued claims liability	\$ 1,462,787	\$ 1,084,353	\$ 61,306
Claims liability adjustments	(930,000)	(500,000)	-
Incurred claims (including IBNRs)	1,634,117	1,498,396	1,389,043
Claims payments	<u>(564,949)</u>	<u>(619,962)</u>	<u>(365,996)</u>
Accrued claims liability, June 30	<u>\$ 1,601,955</u>	<u>\$ 1,462,787</u>	<u>\$ 1,084,353</u>

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

BUDGET COMPLIANCE

Expenditures in Excess of Appropriations

Oregon law prohibits expenditures in excess of board approved appropriations. The board approves appropriations for each fund by major function. For the year ended June 30, 2020, expenditures exceeded appropriations as follows:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund			
Transfers Out	\$ 1,025,000	\$ 1,062,330	\$ (37,330)
Other Nonmajor Funds			
Grants Fund			
Instruction Services	2,105,000	2,154,536	(49,536)
Debt Service	153,000	196,977	(43,977)

Budgetary Basis of Accounting

While the District reports financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The detailed Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual presented as RSI for the General and each major special revenue fund and other supplementary information for major debt service and capital projects funds and nonmajor governmental funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budget basis and GAAP basis are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Nonmajor Funds</u>
Budget basis ending fund balance	\$ 14,960,350	\$ 100,320,348	\$ 1,339,601
Adjustments:			
Unrealized gain on investments	-	589,270	-
Inventories	46,565	-	46,133
GAAP basis ending fund balance	<u>\$ 15,006,915</u>	<u>\$ 100,909,618</u>	<u>\$ 1,385,734</u>

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

TAX ABATEMENTS

Tax abatements result from agreements between Clackamas County and others, which reduced the District's levied property taxes. For the year ended June 30, 2020, the District was not materially affected by tax abatement agreements.

NEW PRONOUNCEMENTS

For the fiscal year ended June 30, 2020, the District implemented no new accounting standards.

The District will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the following pronouncements.

GASB Statement No. 84 "*Fiduciary Activities*." This Statement establishes criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds. The statement is effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 87 "*Leases*." This Statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The statement is effective for fiscal years beginning after June 15, 2021.

CLAIMS AND LITIGATION

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

Management has represented that, except as disclosed in the following paragraph, there are no contingent liabilities that require disclosure or recognition in accordance with FASC section 450 and/or GASB Statement No. 10. Such contingent liabilities would include, but would not be confined to: notes or accounts receivable which have been discounted; pending suits; proceedings, hearings, or negotiations possibly involving retroactive adjustments; unsatisfied judgments or claims; taxes in dispute; endorsements or guarantees; and options.

The District is named as a defendant in two legal actions arising in the normal course of its activities. Both actions are still in the discovery phase of litigation, but the District believes it has substantial defenses against both actions. A settlement or adverse judgement in these matters, if any, would be covered by the District's insurance. Two District contractors have asserted separate claims for additional compensation of more than \$330,000 on two separate construction projects. The claimed amounts have not been fully quantified as work is still in progress: no liability has been recorded as of June 30, 2020 as a result of these claims: Management is still evaluating the claims, but based on its initial review, believes some of the claims may have merit. Any amounts that the District may ultimately agree to pay will be quantified when the work is completed, which is expected in 2021. Nevertheless, based upon counsel and management's current understanding of the claims, the outcome of such matters is not expected to have a material adverse effect on the District's financial position or statement of activities.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2020

COMMITMENTS AND CONTINGENCIES

The District has remaining commitments under various service contracts of approximately \$2.1 million at June 30, 2020. The contracts relate primarily to design and construction management services for various facility improvement projects that are or will be undertaken by the District over the course of the next several years. The District has remaining commitments under construction contracts of \$37.3 million at June 30, 2020.

The District receives a substantial portion of its operating funding from the State of Oregon. State funding is allocated to individual school districts based on pupil counts and other factors in the State School Fund (SSF) revenue formula. The COVID-19 pandemic has caused reductions in total State revenues and the District's 2020-21 school year pupil counts. These reductions are not presently expected to impact the District's 2020-21 SSF revenues. If student enrollment remains at current 2020-21 levels for the 2021-22 school year, and current SSF revenue allocation factors do not change, the District would see a reduction of approximately \$2.1 million of SSF revenues in fiscal year 2021-22. However, as there are many variables that influence SSF allocations each year, the extent to which the pandemic may ultimately impact the amount of state funding the District receives is unknown.

REQUIRED SUPPLEMENTARY INFORMATION

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LAKE OSWEGO SCHOOL DISTRICT NO. 7J

CLACKAMAS COUNTY, OREGON

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR PERS

JUNE 30, 2020

<i>Year Ended June 30,</i>	<i>Employer's proportion of the net pension liability (NPL)</i>	<i>Employer's proportionate share of the net pension liability (NPL) (1)</i>	<i>Employer's covered payroll (2)</i>	<i>NPL as a percentage of covered payroll</i>	<i>Plan fiduciary net position as a percentage of the total pension liability</i>
2020	0.35%	\$ 59,728,707	\$ 42,618,897	140.1%	80.2%
2019 (6)	0.35%	52,609,596	39,436,556	133.4%	82.1%
2018	0.32%	42,674,444	36,337,121	117.4%	83.1%
2017 (5)	0.31%	46,194,321	34,002,920	135.9%	80.5%
2016 (4)	0.29%	16,722,378	32,142,790	52.0%	91.9%
2015 (3)	0.30%	(6,730,334)	30,660,107	-22.0%	103.6%
2014	0.30%	15,152,274	30,731,648	49.3%	92.0%

Notes:

- (1) The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.
- (2) Amounts for covered payroll use the prior year's data to match the measurement date used by the pension plan for each fiscal year.
- (3) The June 30, 2015 NPL reflects benefit changes from the Senate Bills 822 and 861.
- (4) The June 30, 2016 NPL reflects benefit changes from the Oregon Supreme Court's ruling in *Moro v. State of Oregon*, which overturned portions of Senate Bills 822 and 861.
- (5) The June 30, 2017 NPL reflects assumption changes reducing inflation rate from 2.75% to 2.50%, the long-term expected rate of return from 7.75% to 7.50%, the discount rate from 7.75% to 7.50% and the projected salary increases from 3.75% to 3.50%.
- (6) The June 30, 2019 NPL reflects an assumption change to reduce the long-term expected rate of return and the discount rate from 7.50% to 7.20%.

This schedule is required 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.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
SCHEDULE OF CONTRIBUTIONS FOR PERS
YEAR ENDED JUNE 30, 2020

<i>Year Ended June 30,</i>	<i>Statutorily required contribution</i>	<i>Contributions in relation to the statutorily required contribution</i>	<i>Contribution deficiency (excess)</i>	<i>Employer's covered payroll</i>	<i>Contributions as a percent of covered payroll</i>
2020	\$ 6,306,144	\$ 6,306,144	\$ -	\$ 46,787,588	13.5%
2019	4,021,847	4,021,847	-	42,618,897	9.4%
2018	3,448,515	3,448,515	-	39,436,556	8.7%
2017	1,831,393	1,831,393	-	36,337,121	5.0%
2016	1,966,103	1,966,103	-	34,002,920	5.8%
2015	3,157,554	3,157,554	-	32,142,790	9.8%
2014	3,037,840	3,037,840	-	30,660,107	9.9%

Notes:

(1) The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

This schedule is required 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.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY FOR RHIA
JUNE 30, 2020

<i>Year Ended June 30,</i>	<i>District's Proportion of the net OPEB liability</i>	<i>District's proportionate share of the net OPEB liability (NOL) ¹</i>	<i>District's covered payroll ²</i>	<i>NOL as a percentage of covered payroll</i>	<i>Plan fiduciary net portion as a percentage of the total OPEB liability</i>
2020	0.39%	\$ (760,402)	\$ 42,618,897	-1.78%	144.4%
2019	0.38%	(426,717)	39,436,556	-1.08%	124.0%
2018	0.38%	(160,170)	36,337,121	-0.44%	108.9%
2017	0.36%	97,099	34,002,920	0.29%	94.1%

LAKE OSWEGO SCHOOL DISTRICT NO 7J
CLACKAMAS COUNTY, OREGON
SCHEDULE OF CONTRIBUTIONS FOR RHIA
YEAR ENDED JUNE 30, 2020

<i>Year Ended June 30,</i>	<i>Statutorily required contribution</i>	<i>Contributions in relation to the statutorily required contribution</i>	<i>Contribution deficiency (excess)</i>	<i>Covered payroll</i>	<i>Contributions as a percent of covered payroll</i>
2020	\$ 50,926	\$ 50,926	\$ -	\$ 46,787,588	0.11%
2019	195,031	195,031	-	42,618,897	0.46%
2018	185,096	185,092	-	39,436,556	0.47%
2017	178,408	178,408	-	36,337,121	0.49%

Notes:

(1) The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

(2) Amounts for covered payroll use the prior year's data to match the measurement date used by the pension plan for each fiscal year.

These schedules are required 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.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J

CLACKAMAS COUNTY, OREGON

SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY AND RELATED RATIOS FOR STIPEND BENEFITS

YEAR ENDED JUNE 30, 2020

Stipend Benefits

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 60,583	\$ 58,534	\$ 69,334	\$ 66,989
Interest on Total Pension Liability	59,398	64,927	68,297	104,020
Differences between expected and actual experience	-	68,851	95,825	(1,028,202)
Changes in assumptions or other inputs	-	(175,878)	(2,127)	22,822
Benefit payments - Stipends	<u>(149,652)</u>	<u>(199,164)</u>	<u>(275,152)</u>	<u>(145,505)</u>
Net changes	(29,671)	(182,730)	(43,823)	(979,876)
Total Pension Liability at end of the year	<u>1,771,912</u>	<u>1,954,642</u>	<u>1,998,465</u>	<u>2,978,341</u>
Total Pension Liability at end of the year	<u>\$ 1,742,241</u>	<u>\$ 1,771,912</u>	<u>\$ 1,954,642</u>	<u>\$ 1,998,465</u>
Estimated covered employee payroll	\$ 33,800,000	\$ 30,500,000	\$ 28,954,000	\$ 26,718,000
Total Pension Liability as a percentage of covered employee payroll	5.15%	5.81%	6.75%	7.48%
Discount Rate	3.50%	3.50%	3.58%	3.58%

Notes:

There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 73, paragraph 4, to pay related benefits.

This schedule is required 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.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J

CLACKAMAS COUNTY, OREGON

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS FOR HEALTH INSURANCE BENEFITS

YEAR ENDED JUNE 30, 2020

Health Insurance

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 486,710	\$ 470,251	\$ 470,656	\$ 454,740
Interest on Total OPEB Liability	402,464	384,015	391,476	422,738
Differences between expected and actual experience	-	(200,957)	103,226	(944,510)
Changes in assumptions or other inputs	-	808,515	9,364	(85,678)
Benefit payments - Medical premiums	(548,755)	(524,892)	(552,684)	(497,385)
Benefit payments - Implicit subsidy	(411,652)	(384,089)	(301,657)	(201,896)
Net changes	(71,233)	552,843	120,381	(851,991)
Total OPEB Liability at beginning of the year	<u>11,979,185</u>	<u>11,426,342</u>	<u>11,305,961</u>	<u>12,157,952</u>
Total OPEB Liability at end of the year	<u>\$ 11,907,952</u>	<u>\$ 11,979,185</u>	<u>\$ 11,426,342</u>	<u>\$ 11,305,961</u>
Estimated covered employee payroll	\$ 45,832,000	\$ 41,952,000	\$ 39,227,000	\$ 35,982,000
Total OPEB Liability as a percentage of covered employee payroll	25.98%	28.55%	29.13%	31.42%
Discount Rate	3.50%	3.50%	3.58%	3.58%

Notes:

There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay related benefits.

This schedule is required 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 supplementary information is available.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET - BUDGETARY BASIS
 For the Year Ended June 30, 2020

<u>GENERAL FUND</u>				
	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources	\$ 52,405,992	\$ 51,495,000	\$ 51,495,000	\$ 910,992
Intermediate Sources	1,427,287	1,350,000	1,350,000	77,287
State Sources	32,963,135	33,200,000	33,200,000	(236,865)
Federal Sources	-	15,000	15,000	(15,000)
Total Revenues	86,796,414	86,060,000	86,060,000	736,414
EXPENDITURES:				
Instruction	54,297,306	57,150,000	57,150,000	2,852,694
Support Services	28,908,486	30,240,000	30,240,000	1,331,514
Facilities Acquisition and Construction	-	1	1	1
Debt Service	5,364,560	5,700,000	5,700,000	335,440
Operating Contingency	-	2,000,000	1,500,000	1,500,000
Total Expenditures	88,570,352	95,090,001	94,590,001	6,019,649
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,773,938)	(9,030,001)	(8,530,001)	6,756,063
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1	1	(1)
Transfers out	(1,062,330)	(525,000)	(1,025,000)	(37,330)
Sale of/Compensation for Loss of Capital Assets	6,000	10,000	10,000	(4,000)
Total Other Financing Sources (Uses)	(1,056,330)	(514,999)	(1,014,999)	(41,331)
NET CHANGE IN FUND BALANCE	(2,830,268)	(9,545,000)	(9,545,000)	6,714,732
FUND BALANCE, Beginning of year	17,790,618	17,000,000	17,000,000	790,618
FUND BALANCE, End of year	\$ 14,960,350	\$ 7,455,000	\$ 7,455,000	\$ 7,505,350

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET - BUDGETARY BASIS
 For the Year Ended June 30, 2020

COMMUNITY CONTRIBUTIONS FUND

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources	\$ 1,161,268	\$ 2,518,000	\$ 2,518,000	\$ (1,356,732)
EXPENDITURES:				
Instruction	1,118,712	2,220,000	2,220,000	1,101,288
Support Services	46,287	165,000	165,000	118,713
Facilities Acquisition and Construction	-	78,000	78,000	78,000
Debt Service	-	110,000	110,000	110,000
Total Expenditures	<u>1,164,999</u>	<u>2,573,000</u>	<u>2,573,000</u>	<u>1,408,001</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,731)</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>51,269</u>
FUND BALANCE, Beginning of year	<u>175,277</u>	<u>155,000</u>	<u>155,000</u>	<u>20,277</u>
FUND BALANCE, End of year	<u><u>\$ 171,546</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 71,546</u></u>

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OTHER SUPPLEMENTARY INFORMATION

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LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON

DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2020

GENERAL FUND

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Taxes-Current Levy	\$ 35,878,160	\$ 35,685,000	\$ 35,685,000	\$ 193,160
Taxes-Prior Levies	499,652	450,000	450,000	49,652
Local Option Taxes-Current Levy	12,953,497	12,945,000	12,945,000	8,497
Local Option Taxes-Prior Levy	196,997	175,000	175,000	21,997
Tuition	143,106	205,000	205,000	(61,894)
Earnings on Investments	736,425	750,000	750,000	(13,575)
Gate Receipts	37,535	60,000	60,000	(22,465)
Sports Participation Fees	399,955	600,000	600,000	(200,045)
Student Fees	37,285	60,000	60,000	(22,715)
Property Lease Fees	270,786	410,000	410,000	(139,214)
Miscellaneous Income	1,252,594	155,000	155,000	1,097,594
Total From Local Sources	52,405,992	51,495,000	51,495,000	910,992
Intermediate Sources:				
County School Fund	4,747	5,000	5,000	(253)
ESD Choice Fund	1,232,236	975,000	975,000	257,236
ESD Special Fund	190,304	370,000	370,000	(179,696)
Total From Intermediate Sources	1,427,287	1,350,000	1,350,000	77,287
State Sources:				
School Support Fund	32,184,929	32,500,000	32,500,000	(315,071)
Common School Fund	641,747	700,000	700,000	(58,253)
Miscellaneous Grants	136,459	-	-	136,459
Total From State Sources	32,963,135	33,200,000	33,200,000	(236,865)
Federal Sources:				
Federal Forest Fees	-	15,000	15,000	(15,000)
Other Sources:				
Interfund Transfers	-	1	1	(1)
Sales/Compensation for Loss of Capital Assets	6,000	10,000	10,000	(4,000)
Total From Other Sources	6,000	10,001	10,001	(4,001)
Total Revenues	\$ 86,802,414	\$ 86,070,001	\$ 86,070,001	\$ 732,413

LAKE OSWEGO SCHOOL DISTRICT NO 7J**CLACKAMAS COUNTY, OREGON****DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS) - GENERAL FUND (Continued)**

YEAR ENDED JUNE 30, 2020

	SALARIES	EMPLOYEE BENEFITS	PURCHASED SERVICES	SUPPLIES & MATERIALS
EXPENDITURES:				
Instruction:				
Regular Programs:				
Primary, K-5	\$ 10,649,226	\$ 6,179,680	\$ 48,660	\$ 533,053
Jr. High Programs	4,893,757	2,712,166	162,940	324,032
Jr. High School Extra-curricular	221,300	62,046	12,354	8,371
High School Programs	7,802,869	4,359,980	86,914	794,866
High School Extra-curricular	1,430,544	412,676	96,958	132,602
Special Programs:				
Talented and Gifted	336,205	188,642	-	1,086
More Restrictive Special Programs	3,194,502	1,923,212	1,313,683	21,470
Less Restrictive Special Programs	2,800,745	1,810,899	25,293	4,716
Alternative Education	635,205	357,347	304,231	599
English 2nd Language	254,228	130,693	1,380	(76)
Total Instruction	<u>32,218,581</u>	<u>18,137,341</u>	<u>2,052,413</u>	<u>1,820,719</u>
Support Services:				
Students:				
Attendance and Social Work Services	218,742	114,794	202,841	55,798
Guidance Services	1,776,710	968,545	957	2,978
Health Services	154,055	74,992	30,482	16,835
Psychological Services	493,274	271,666	865	21,445
Speech Pathology and Audiology	537,564	278,258	366	2,814
Service Direction, Student Support	247,315	110,968	44,891	43,150
Instructional Staff:				
Improvement of Instruction	1,242,788	671,695	464,798	196,327
Educational Media	439,735	277,736	28,142	54,132
Assessment and Testing	3,512	629	-	3,270
General Administration:				
Board of Education	-	-	171,011	10,730
Executive Administration	611,166	269,509	142,085	6,531
School Administration - Office of the Principal	2,748,131	1,517,670	50,230	50,728
Business:				
Fiscal Services	362,718	181,711	44,410	19,978
Operation & Maintenance of Plant	2,064,671	1,198,087	2,700,553	462,351
Student Transportation	-	-	3,689,291	3,774
Central Activities:				
Information	169,289	53,939	27,337	2,473
Staff	271,335	188,368	90,959	20,287
Technology	482,039	253,765	315,698	19,684
Supplemental Retirement Program	154,476	524,916	-	-
Total Support Services	<u>11,977,520</u>	<u>6,957,248</u>	<u>8,004,916</u>	<u>993,285</u>
Facilities Acquisition and Construction				
Facilities Acquisitions/Improvements	-	-	-	-

CAPITAL OUTLAY	OTHER OBJECTS	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
\$ -	\$ -	\$ 17,410,619	\$ 18,578,807	\$ 18,578,807	\$ 1,168,188
7,740	-	8,100,635	8,550,500	8,550,500	449,865
-	205	304,276	307,777	307,777	3,501
-	-	13,044,629	13,280,383	13,280,383	235,754
9,985	50,322	2,133,087	2,046,023	2,046,023	(87,064)
-	-	525,933	538,387	538,387	12,454
-	-	6,452,867	6,941,883	6,941,883	489,016
-	-	4,641,653	4,347,569	4,347,569	(294,084)
-	-	1,297,382	2,133,069	2,133,069	835,687
-	-	386,225	425,602	425,602	39,377
17,725	50,527	54,297,306	57,150,000	57,150,000	2,852,694
-	-	592,175	569,095	569,095	(23,080)
-	1,461	2,750,651	2,943,873	2,943,873	193,222
-	-	276,364	242,228	242,228	(34,136)
-	-	787,250	706,669	706,669	(80,581)
-	-	819,002	820,057	820,057	1,055
-	-	446,324	410,088	410,088	(36,236)
-	906	2,576,514	2,376,861	2,376,861	(199,653)
-	-	799,745	828,504	828,504	28,759
-	-	7,411	23,404	23,404	15,993
8,347	6,188	196,276	229,500	229,500	33,224
-	20,296	1,049,587	981,969	981,969	(67,618)
-	2,029	4,368,788	4,311,545	4,311,545	(57,243)
-	3,648	612,465	721,370	721,370	108,905
515,048	414,122	7,354,832	8,047,692	8,047,692	692,860
-	-	3,693,065	4,265,000	4,265,000	571,935
-	2,663	255,701	343,542	343,542	87,841
-	509	571,458	533,074	533,074	(38,384)
-	300	1,071,486	1,035,529	1,035,529	(35,957)
-	-	679,392	850,000	850,000	170,608
523,395	452,122	28,908,486	30,240,000	30,240,000	1,331,514
-	-	-	1	1	1

LAKE OSWEGO SCHOOL DISTRICT NO 7J

CLACKAMAS COUNTY, OREGON

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS) - GENERAL FUND (Continued)**

YEAR ENDED JUNE 30, 2020

EXPENDITURES (Cont.):	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
Debt Service	\$ -	\$ -	\$ -	\$ -
Operating Contingency	-	-	-	-
Total Expenditures	<u>\$ 44,196,101</u>	<u>\$ 25,094,589</u>	<u>\$ 10,057,329</u>	<u>\$ 2,814,004</u>
Excess of Revenues Over, (Under) Expenditures				
Other Financing Uses:				
Transfers Out				
Net Change in Fund Balance				
Beginning Fund Balance				
Ending Fund Balance				

<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
\$ -	\$ 5,364,560	\$ 5,364,560	\$ 5,700,000	\$ 5,700,000	\$ 335,440
-	-	-	2,000,000	1,500,000	1,500,000
<u>\$ 541,120</u>	<u>\$ 5,867,209</u>	<u>88,570,352</u>	<u>95,090,001</u>	<u>94,590,001</u>	<u>6,019,649</u>
		(1,767,938)	(9,020,000)	(8,520,000)	6,752,062
		<u>(1,062,330)</u>	<u>(525,000)</u>	<u>(1,025,000)</u>	<u>(37,330)</u>
		(2,830,268)	(9,545,000)	(9,545,000)	6,714,732
		<u>17,790,618</u>	<u>17,000,000</u>	<u>17,000,000</u>	<u>790,618</u>
		<u>\$ 14,960,350</u>	<u>\$ 7,455,000</u>	<u>\$ 7,455,000</u>	<u>\$ 7,505,350</u>

LAKE OSWEGO SCHOOL DISTRICT NO. 7J**CLACKAMAS COUNTY, OREGON****DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS) - COMMUNITY CONTRIBUTIONS FUND
YEAR ENDED JUNE 30, 2020**

REVENUES:

Local Sources:

Foundation Contributions

Other Contributions and Donations

Total Revenues

	Detail by Object			
	SALARIES	EMPLOYEE BENEFITS	PURCHASED SERVICES	SUPPLIES & MATERIALS
EXPENDITURES:				
Instruction:				
Regular Programs:				
Primary K-5	\$ 638,901	\$ 1,408	\$ 896	\$ 38,909
Jr. High Programs	156,990	-	7,150	15,263
High School Programs	208,548	-	-	9,201
High School Extra-curricular	-	-	-	-
Other Special Programs	-	-	-	3,104
Total Instruction	<u>1,004,439</u>	<u>1,408</u>	<u>8,046</u>	<u>66,477</u>
Support Services:				
Pupils:				
Improvement of Instruction	-	-	9,048	1,411
Instructional Staff and Educational Media	-	-	-	10,146
School Administration - Office of the Principal	-	-	-	21,682
Business:				
Operation and Maintenance	-	-	-	4,000
Total Support Services	<u>-</u>	<u>-</u>	<u>9,048</u>	<u>37,239</u>
Facilities Acquisition and Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 1,004,439</u>	<u>\$ 1,408</u>	<u>\$ 17,094</u>	<u>\$ 103,716</u>

Excess of Revenues Over (Under) Expenditures

Beginning Fund Balance

Ending Fund Balance

		<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
		\$ 1,010,900	\$ 2,000,000	\$ 2,000,000	\$ (989,100)
		150,368	518,000	518,000	(367,632)
		<u>1,161,268</u>	<u>2,518,000</u>	<u>2,518,000</u>	<u>(1,356,732)</u>
<u>Detail by Object</u>					
<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>				
\$ 8,342	\$ -	688,456	1,093,000	1,093,000	404,544
30,000	-	209,403	432,000	432,000	222,597
-	-	217,749	681,000	681,000	463,251
-	-	-	11,000	11,000	11,000
-	-	3,104	3,000	3,000	(104)
<u>38,342</u>	<u>-</u>	<u>1,118,712</u>	<u>2,220,000</u>	<u>2,220,000</u>	<u>1,101,288</u>
-	-	10,459	20,000	20,000	9,541
-	-	10,146	45,000	45,000	34,854
-	-	21,682	20,000	20,000	(1,682)
<u>-</u>	<u>-</u>	<u>4,000</u>	<u>80,000</u>	<u>80,000</u>	<u>76,000</u>
<u>-</u>	<u>-</u>	<u>46,287</u>	<u>165,000</u>	<u>165,000</u>	<u>118,713</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>78,000</u>	<u>78,000</u>	<u>78,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>
<u>\$ 38,342</u>	<u>\$ -</u>	<u>1,164,999</u>	<u>2,573,000</u>	<u>2,573,000</u>	<u>1,408,001</u>
		(3,731)	(55,000)	(55,000)	51,269
		<u>175,277</u>	<u>155,000</u>	<u>155,000</u>	<u>20,277</u>
		<u>\$ 171,546</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 71,546</u>

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LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET - BUDGETARY BASIS
 For the Year Ended June 30, 2020

DEBT SERVICE FUND

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Taxes-Current Levy	\$ 16,370,459	\$ 16,225,000	\$ 16,225,000	\$ 145,459
Taxes-Prior Levies	206,303	245,000	245,000	(38,697)
Earnings on Investments	144,627	180,000	180,000	(35,373)
Total Revenues	<u>16,721,389</u>	<u>16,650,000</u>	<u>16,650,000</u>	<u>71,389</u>
EXPENDITURES:				
Debt Service:				
Long-Term Debt Service:				
Redemption of Principal	7,875,000	7,875,000	7,875,000	-
Interest	8,991,803	8,775,000	8,995,000	3,197
Total Expenditures	<u>16,866,803</u>	<u>16,650,000</u>	<u>16,870,000</u>	<u>3,197</u>
Excess of Revenues Over (Under) Expenditures	(145,414)	-	(220,000)	74,586
Beginning Fund Balance	<u>698,064</u>	<u>250,000</u>	<u>470,000</u>	<u>228,064</u>
Ending Fund Balance	<u>\$ 552,650</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 302,650</u>

LAKE OSWEGO SCHOOL DISTRICT NO 7J**CLACKAMAS COUNTY, OREGON****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS) - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2020**

REVENUES:

From Local Sources:
 Construction Excise Tax
 Interest Income
 Contributions and Donations
 Miscellaneous
 From Intermediate Sources:
 SB 1149 Energy Program

Total Revenues

Detail by Object

	SALARIES	EMPLOYEE BENEFITS	PURCHASED SERVICES	SUPPLIES & MATERIALS
EXPENDITURES:				
Instruction				
Regular Instruction				
Primary K-5	\$ -	\$ -	\$ 2,590	\$ 905,004
Jr. High Program	-	-	1,110	339,124
High School Program	-	-	1,850	872,561
Other Special Programs	-	-	1,110	227,042
Total Instruction	-	-	6,660	2,343,731
Support Services				
Students				
Student Safety Services	-	-	21,240	60,827
Guidance Services	-	-	370	74,017
Speech Pathology and Audiology	-	-	370	70,328
Business - Operations and Maintenance	-	-	-	3,421
Central Activities - Technology	-	-	-	84,941
Total Support Services	-	-	21,980	293,534
Facilities Acquisition and Service Direction	701,405	334,015	7,996,646	486,487
Debt Service	-	-	44,532	-
Operating Contingency	-	-	-	-
Total Expenditures	\$ 701,405	\$ 334,015	\$ 8,069,818	\$ 3,123,752

Excess of Expenditures Over Revenues

Other Financing Sources and (Uses):

Proceeds from Issuance of Long-term Debt
 Proceeds from Bond Premium
 Transfers Out
 Total Other Financing Sources and (Uses):

Net Change in Fund Balance

Beginning Fund Balance

Ending Fund Balance

		ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
		\$ 637,326	\$ 400,000	\$ 400,000	\$ 237,326
		2,362,930	1,900,000	1,900,000	462,930
		-	50,000	50,000	(50,000)
		164,104	-	-	164,104
		-	125,000	125,000	(125,000)
		<u>3,164,360</u>	<u>2,475,000</u>	<u>2,475,000</u>	<u>689,360</u>
Detail by Object					
CAPITAL OUTLAY	OTHER OBJECTS				
\$ 13,524	\$ -	921,118	2,150,000	2,400,000	1,478,882
-	-	340,234	-	-	(340,234)
-	-	874,411	-	-	(874,411)
-	-	228,152	-	-	(228,152)
<u>13,524</u>	<u>-</u>	<u>2,363,915</u>	<u>2,150,000</u>	<u>2,400,000</u>	<u>36,085</u>
-	-	82,067	-	-	(82,067)
-	-	74,387	-	-	(74,387)
-	-	70,698	-	-	(70,698)
460,409	-	463,830	-	-	(463,830)
97,104	-	182,045	1,250,000	1,000,000	817,955
<u>557,513</u>	<u>-</u>	<u>873,027</u>	<u>1,250,000</u>	<u>1,000,000</u>	<u>126,973</u>
79,888,031	1,005,947	90,412,531	120,000,000	120,000,000	29,587,469
-	607,869	652,401	500,001	700,001	47,600
-	-	-	2,000,000	2,000,000	2,000,000
<u>\$ 80,459,068</u>	<u>\$ 1,613,816</u>	<u>94,301,874</u>	<u>125,900,001</u>	<u>126,100,001</u>	<u>31,798,127</u>
		(91,137,514)	(123,425,001)	(123,625,001)	(32,487,487)
		27,000,000	31,500,000	34,350,000	(7,350,000)
		7,345,663	-	-	7,345,663
		-	(1)	(1)	1
		<u>34,345,663</u>	<u>31,499,999</u>	<u>34,349,999</u>	<u>(4,336)</u>
		(56,791,851)	(91,925,002)	(89,275,002)	32,483,151
		<u>157,112,199</u>	<u>175,000,002</u>	<u>175,000,002</u>	<u>(17,887,803)</u>
		<u>\$ 100,320,348</u>	<u>\$ 83,075,000</u>	<u>\$ 85,725,000</u>	<u>\$ 14,595,348</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GRANTS FUND	COMMUNITY SERVICES FUND	STUDENT ACTIVITY FUND	FOOD SERVICE FUND	
ASSETS:					
Cash and Investments	\$ 500	\$ 500	\$ 1,339,601	\$ 150	\$ 1,340,751
Interfund Receivables	-	13,709	-	145,999	159,708
Receivables	2,429,243	228	-	31,968	2,461,439
Inventories	-	-	-	46,133	46,133
Total Assets	\$ 2,429,743	\$ 14,437	\$ 1,339,601	\$ 224,250	\$ 4,008,031
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payables	\$ 2,429,743	\$ -	\$ -	\$ -	\$ 2,429,743
Accounts Payable	-	9,389	-	3,973	13,362
Unearned Revenue	-	5,048	-	174,144	179,192
Total Liabilities	2,429,743	14,437	-	178,117	2,622,297
Fund Balances:					
Nonspendable:					
Inventories	-	-	-	46,133	46,133
Committed to:					
Student Activities	-	-	1,339,601	-	1,339,601
Total Fund Balances	-	-	1,339,601	46,133	1,385,734
Total Liabilities and Fund Balances	\$ 2,429,743	\$ 14,437	\$ 1,339,601	\$ 224,250	\$ 4,008,031

LAKE OSWEGO SCHOOL DISTRICT NO.7J**CLACKAMAS COUNTY, OREGON****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2020**

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GRANTS FUND	COMMUNITY SERVICES FUND	STUDENT ACTIVITY FUND	FOOD SERVICE FUND	
REVENUES:					
Local Sources	\$ 100	\$ 2,201,708	\$ 2,692,285	\$ 1,077,126	\$ 5,971,219
Intermediate Sources	174,000	-	-	-	174,000
State Sources	1,811,467	-	-	38,587	1,850,054
Federal Sources	1,538,036	-	-	336,009	1,874,045
Total Revenues	3,523,603	2,201,708	2,692,285	1,451,722	9,869,318
EXPENDITURES:					
Current:					
Instruction	2,154,536	-	2,435,598	-	4,590,134
Support Services	1,403,348	-	-	-	1,403,348
Enterprise and Community Services	-	2,777,554	-	1,687,432	4,464,986
Capital Outlay	-	-	-	2,831	2,831
Interest and Other Charges	196,977	57,672	-	-	254,649
Total Expenditures	3,754,861	2,835,226	2,435,598	1,690,263	10,715,948
Excess (Deficiency) of Revenues Over Expenditures	(231,258)	(633,518)	256,687	(238,541)	(846,630)
Other Financing Sources:					
Transfers In	231,258	633,518	-	197,554	1,062,330
Total Other Financing Sources, (Uses)	231,258	633,518	-	197,554	1,062,330
Increase (Decrease) in Inventories	-	-	-	16,460	16,460
Net Change in Fund Balance	-	-	256,687	(24,527)	232,160
Beginning Fund Balance	-	-	1,082,914	70,660	1,153,574
Ending Fund Balance	\$ -	\$ -	\$ 1,339,601	\$ 46,133	\$ 1,385,734

LAKE OSWEGO SCHOOL DISTRICT NO. 7J

CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

ACTUAL AND BUDGET (BUDGETARY BASIS) - GRANTS FUND

YEAR ENDED JUNE 30, 2020

REVENUES:

Local Sources:
Contributions and Donations
Intermediate Sources:
Grants-In-Aid
State Sources:
Grants-In-Aid
Federal Sources:
Grants-In-Aid
Total Revenues

	Detail by Object			
	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
EXPENDITURES:				
Instruction:				
Regular Programs:				
Junior High Instruction	\$ 154,222	\$ 72,531	\$ -	\$ -
High School Instruction	708,401	357,790	5,299	5,143
Special Programs:				
Less Restrictive Programs	255,727	130,743	903	-
Title I Programs	233,636	143,295	-	585
Total Instruction	<u>1,351,986</u>	<u>704,359</u>	<u>6,202</u>	<u>5,728</u>
Support Services:				
Students:				
Nursing Services	83,801	25,943	-	-
Psychological Services	2,639	1,433	-	-
Guidance Services	-	1,972	-	-
Service Direction, Student Support	543,705	298,750	3,582	543
Instructional Staff:				
Improvement of Instruction	211,909	113,582	111,993	3,496
Student Assessment	-	-	-	-
Total Support Services	<u>842,054</u>	<u>441,680</u>	<u>115,575</u>	<u>4,039</u>
Debt Service - Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 2,194,040</u>	<u>\$ 1,146,039</u>	<u>\$ 121,777</u>	<u>\$ 9,767</u>

Excess of Revenues Over Expenditures

Other Financing Sources:

Transfer In

Net Change in Fund Balance

Beginning Fund Balance

Ending Fund Balance

	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
	\$ 100	\$ 4,000	\$ 4,000	\$ (3,900)
	174,000	106,000	106,000	68,000
	1,811,467	1,735,000	1,735,000	76,467
	<u>1,538,036</u>	<u>1,736,000</u>	<u>1,736,000</u>	<u>(197,964)</u>
	<u>3,523,603</u>	<u>3,581,000</u>	<u>3,581,000</u>	<u>(57,397)</u>

Detail by Object

	CAPITAL OUTLAY	OTHER OBJECTS				
\$	-	-	226,753	175,000	175,000	(51,753)
	-	86,261	1,162,894	1,230,000	980,000	(182,894)
	-	-	387,373	606,000	506,000	118,627
	-	-	<u>377,516</u>	<u>444,000</u>	<u>444,000</u>	<u>66,484</u>
	-	<u>86,261</u>	<u>2,154,536</u>	<u>2,455,000</u>	<u>2,105,000</u>	<u>(49,536)</u>
	-	-	109,744	-	-	(109,744)
	-	-	4,072	-	50,000	45,928
	-	-	1,972	-	50,000	48,028
	-	-	846,580	901,000	801,000	(45,580)
	-	-	440,980	313,000	613,000	172,020
	-	-	-	9,000	9,000	9,000
	-	-	<u>1,403,348</u>	<u>1,223,000</u>	<u>1,523,000</u>	<u>119,652</u>
	-	<u>196,977</u>	<u>196,977</u>	<u>103,000</u>	<u>153,000</u>	<u>(43,977)</u>
\$	-	<u>\$ 283,238</u>	<u>3,754,861</u>	<u>3,781,000</u>	<u>3,781,000</u>	<u>26,139</u>
			(231,258)	(200,000)	(200,000)	(31,258)
			<u>231,258</u>	<u>200,000</u>	<u>200,000</u>	<u>31,258</u>
			-	-	-	-
			-	-	-	-
\$	-	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2020

COMMUNITY SERVICES FUND

REVENUES:	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
Local Sources, Community Service Activities:				
Community Services Tuition	\$ 1,023,957	\$ 1,521,000	\$ 1,521,000	\$ (497,043)
Extended Child Care Fees	859,411	1,170,000	1,170,000	(310,589)
Driver's Ed. Fees	84,661	120,000	120,000	(35,339)
Pool Fees	115,666	150,000	150,000	(34,334)
Rent From School Facility	118,013	140,000	140,000	(21,987)
Miscellaneous	-	10,000	10,000	(10,000)
Total Revenues	2,201,708	3,111,000	3,111,000	(909,292)
EXPENDITURES:				
Enterprise and Community Services				
Other Enterprise:				
Community Recreation:				
Salaries	665,601	750,000	750,000	84,399
Employee Benefits	220,852	200,000	200,000	(20,852)
Purchased Services	275,792	400,000	400,000	124,208
Supplies & Materials	208,139	345,000	345,000	136,861
Capital Outlay	-	5,000	5,000	5,000
Other Objects	7,223	10,000	10,000	2,777
Swim Pool:				
Salaries	87,984	130,000	130,000	42,016
Employee Benefits	14,951	35,000	35,000	20,049
Purchased Services	52,959	160,000	160,000	107,041
Supplies & Materials	27,874	20,000	20,000	(7,874)
Capital Outlay	6,954	25,000	25,000	18,046
Other Objects	1,128	1,000	1,000	(128)
Custody and Care of Children:				
Salaries	765,293	700,000	700,000	(65,293)
Employee Benefits	341,252	385,000	385,000	43,748
Purchased Services	43,118	40,000	40,000	(3,118)
Supplies & Materials	58,434	80,000	80,000	21,566
Capital Outlay	-	5,000	5,000	5,000
Total Enterprise and Community Services	2,777,554	3,291,000	3,291,000	513,446
Debt Service	57,672	70,000	70,000	12,328
Total Expenditures	2,835,226	3,361,000	3,361,000	525,774
Excess (Deficiency) of Revenues Over Expenditures	(633,518)	(250,000)	(250,000)	(383,518)
Other Financing Sources:				
Transfers In	633,518	250,000	250,000	383,518
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET - BUDGETARY BASIS
 For the Year Ended June 30, 2020

STUDENT ACTIVITY FUND

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Community Services Activities	\$ 2,692,285	\$ 3,150,000	\$ 3,150,000	\$ (457,715)
EXPENDITURES:				
Instruction:				
Regular Programs:				
Elementary-Extra-curricular:				
Supplies & Materials	64,321	175,000	175,000	110,679
Jr. High-Extra-curricular:				
Supplies & Materials	185,932	550,000	550,000	364,068
High School Extra-curricular:				
Supplies & Materials	2,185,345	2,625,000	2,625,000	439,655
Total Instruction	<u>2,435,598</u>	<u>3,350,000</u>	<u>3,350,000</u>	<u>914,402</u>
Net Change in Fund Balance	256,687	(200,000)	(200,000)	456,687
Beginning Fund Balance	<u>1,082,914</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>(67,086)</u>
Ending Fund Balance	<u><u>\$ 1,339,601</u></u>	<u><u>\$ 950,000</u></u>	<u><u>\$ 950,000</u></u>	<u><u>\$ 389,601</u></u>

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET - BUDGETARY BASIS
 For the Year Ended June 30, 2020

<u>FOOD SERVICE FUND</u>				
REVENUES:	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
Local Sources - Food Service:				
Food Service Sales	\$ 1,038,090	\$ 1,400,000	\$ 1,400,000	\$ (361,910)
Banquets & Miscellaneous	39,036	50,000	50,000	(10,964)
Total Local Sources - Food Service	<u>1,077,126</u>	<u>1,450,000</u>	<u>1,450,000</u>	<u>(372,874)</u>
State Sources:				
State Grants in Aid	38,587	30,000	30,000	8,587
Federal Sources:				
National School Lunch Reimbursement	229,695	320,000	320,000	(90,305)
USDA Commodities	106,314	95,000	95,000	11,314
Total Federal Sources	<u>336,009</u>	<u>415,000</u>	<u>415,000</u>	<u>(78,991)</u>
Total Revenues	<u>1,451,722</u>	<u>1,895,000</u>	<u>1,895,000</u>	<u>(443,278)</u>
EXPENDITURES:				
Enterprise and Community Services:				
Food Services:				
Salaries	567,719	600,000	600,000	32,281
Employee Benefits	294,483	300,000	300,000	5,517
Purchased Services	27,827	55,000	55,000	27,173
Supplies & Materials	772,868	1,065,000	1,065,000	292,132
Capital Outlay	2,831	40,000	40,000	37,169
Other Objects	24,535	5,000	5,000	(19,535)
Total Enterprise and Community Services	<u>1,690,263</u>	<u>2,065,000</u>	<u>2,065,000</u>	<u>374,737</u>
Debt Service - Other Objects	-	10,000	10,000	10,000
Total Expenditures	<u>1,690,263</u>	<u>2,075,000</u>	<u>2,075,000</u>	<u>384,737</u>
Excess (Deficiency) of Revenues Over Expenditures	(238,541)	(180,000)	(180,000)	(58,541)
Other Financing Sources:				
Transfer In	197,554	75,000	75,000	122,554
Net Change in Fund Balance	(40,987)	(105,000)	(105,000)	64,013
Beginning Fund Balance	<u>40,987</u>	<u>125,000</u>	<u>125,000</u>	<u>(84,013)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ (20,000)</u>

OTHER FINANCIAL SCHEDULES

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LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
 DEPARTMENT OF EDUCATION SUPPLEMENTAL INFORMATION
 YEAR ENDED JUNE 30, 2020

A. Energy Bill Heating - All Funds:

Please enter your expenditures for electricity, heating fuel and water and sewage for these Functions & Objects:

	Objects 325, 326 & 327
Function 2540	\$ 1,450,707
Function 2550	-

B. Replacement of Equipment - General Fund:

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

\$ 452,072

Exclude these functions:

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

Exclude these functions:

4150 Construction
 2550 Pupil Transportation
 3100 Food Service
 3300 Community Services

LAKE OSWEGO SCHOOL DISTRICT NO. 7J

CLACKAMAS COUNTY, OREGON

**SCHEDULE OF FOUNDATION RECEIPTS, UNEARNED REVENUES, REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2020**

Foundation unearned revenues as of June 30, 2019		\$	994,393
(Amounts received from Foundation in prior fiscal year for current fiscal year)			
Amounts unspent as of June 30, 2020	\$	33,493	(33,493)
Foundation donations to District for the fiscal year ended June 30, 2020			
Total foundation donations received by District during the current fiscal year	\$	<u>865,000</u>	
Allocation of donations received in current fiscal year:			
Donations received for current fiscal year		-	50,000
Donations received in current fiscal year for the next fiscal year		<u>815,000</u>	<u>-</u>
Foundation revenues recognized for fiscal year ended June 30, 2020			1,010,900
Foundation unearned revenues as of June 30, 2020	\$	<u>848,493</u>	
Expenditure of Foundation donations within the Community Contributions Fund:			
Teacher and Aide Salaries and Wages			1,004,439
Employee Benefits			1,408
Purchased Services			3,446
Materials and Supplies			<u>1,607</u>
Total Foundation expenditures			<u>1,010,900</u>
Excess of revenues over (under) expenditures		\$	<u><u>-</u></u>

Foundation resources and expenditures thereof are accounted for within the District's Community Contributions Fund. This schedule reflects the amounts within that Fund that relate solely to the Foundation.

STATISTICAL SECTION

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LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
BALANCE SHEET - GENERAL FUND
LAST FIVE FISCAL YEARS

	2016	2017	2018	2019	2020
ASSETS:					
Cash	\$ 17,906,664	\$ 20,288,257	\$ 26,830,306	\$ 39,085,598	\$ 22,065,490
Interfund Receivables	-	-	-	-	1,096,187
Receivables:					
Taxes	2,443,337	2,589,420	2,813,572	1,460,419	1,650,986
Accounts	505,060	507,464	367,268	429,185	361,304
Intergovernmental Loan	-	-	3,359,428	-	-
Accrued Interest	-	-	-	1,379	1,440
Prepays	86,573	58,487	53,872	58,913	55,690
Inventories	60,822	72,046	63,746	46,127	46,565
Total Assets	\$ 21,002,456	\$ 23,515,674	\$ 33,488,192	\$ 41,081,621	\$ 25,277,662
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
LIABILITIES:					
Interfund Payables	\$ 577,058	\$ 1,436,761	\$ 4,917,028	\$ 14,329,854	\$ -
Intergovernmental Payable	289,546	335,772	403,516	471,830	531,262
Accrued Payroll and Benefits Payable	6,599,369	4,026,887	5,095,704	5,634,727	7,399,904
Accounts Payable	493,884	1,201,275	1,836,090	1,631,226	1,066,372
Unearned Revenue	9,680	7,747	7,797	5,467	5,467
Matured Bond and Coupons Payable	-	-	1,688,860	-	-
Total Liabilities	7,969,537	7,008,442	13,948,995	22,073,104	9,003,005
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Taxes	2,205,975	2,304,621	2,529,228	1,171,772	1,267,742
FUND BALANCES:					
Nonspendable Prepays	86,573	58,487	53,872	58,913	55,690
Nonspendable Inventories	60,822	72,046	63,746	46,127	46,565
Unassigned	10,679,549	14,072,078	16,892,351	17,731,705	14,904,660
Total Fund Balances	10,826,944	14,202,611	17,009,969	17,836,745	15,006,915
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 21,002,456	\$ 23,515,674	\$ 33,488,192	\$ 41,081,621	\$ 25,277,662

LAKE OSWEGO SCHOOL DISTRICT NO. 7J**CLACKAMAS COUNTY, OREGON****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND
LAST FIVE FISCAL YEARS**

	2016	2017	2018	2019	2020
REVENUES:					
Local Sources:					
Taxes	\$ 39,756,068	\$ 42,006,438	\$ 43,765,243	\$ 46,793,066	\$ 49,528,306
Earnings on Investments	127,659	285,585	608,572	1,103,272	736,425
Other Local Sources	1,562,665	1,449,354	1,255,535	1,729,728	2,141,262
Intermediate Sources	1,044,943	1,142,922	1,222,902	1,521,795	1,427,287
State Sources	26,932,511	28,059,435	31,495,217	31,782,473	32,963,134
Federal Sources	38,716	13,095	7,230	26,385	-
Total Revenues	69,462,562	72,956,829	78,354,699	82,956,719	86,796,414
EXPENDITURES:					
Current:					
Instruction	40,775,418	43,128,631	45,324,536	48,080,281	54,279,581
Support Services	21,506,766	22,243,134	24,515,955	26,963,296	28,385,091
Capital Outlay	24,518	446,715	1,457,300	2,434,511	541,120
Debt Service:					
Principal	1,040,234	1,056,845	1,430,951	1,443,048	2,031,630
Interest and Other Changes	2,391,729	2,587,955	2,765,782	2,938,290	3,332,930
Total Expenditures	65,738,665	69,463,280	75,494,524	81,859,426	88,570,352
Excess (Deficiency) of Revenues Over Expenditures	3,723,897	3,493,549	2,860,175	1,097,293	(1,773,938)
OTHER FINANCING SOURCES (USES):					
Compensation for Loss of Capital Assets	-	-	3,611	25,008	6,000
Transfers Out	(46,324)	(129,106)	(48,128)	(277,906)	(1,062,330)
Total Other Financing Sources (Uses)	(46,324)	(129,106)	(44,517)	(252,898)	(1,056,330)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	3,677,573	3,364,443	2,815,658	844,395	(2,830,268)
Increase (Decrease) in Inventories	(8,168)	11,224	(8,300)	(17,619)	438
FUND BALANCE, Beginning of Year	7,157,539	10,826,944	14,202,611	17,009,969	17,836,745
FUND BALANCE, End of Year	\$ 10,826,944	\$ 14,202,611	\$ 17,009,969	\$ 17,836,745	\$ 15,006,915

Note: This schedule includes only revenues, expenditures, transfers and fund balances of the General Fund.
This schedule has been prepared on a GAAP basis.

COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

School Board
Lake Oswego School District No. 7J
Clackamas County, Oregon
2455 Country Club Road
Lake Oswego, Oregon 97034

We have audited, 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lake Oswego School District No. 7J, Clackamas County, Oregon (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 District's 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

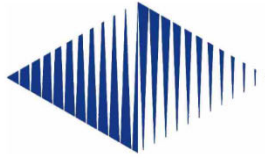
Purpose of this Report

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

January 19, 2021



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

School Board
Lake Oswego School District No. 7J
Clackamas County, Oregon
2455 Country Club Road
Lake Oswego, Oregon 97034

Report on Compliance for Each Major Federal Program

We have audited Lake Oswego School District No. 7J, Clackamas County, Oregon's (the District) 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 District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's 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* (CFR) 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Lake Oswego School District No. 7J 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, 2020.

Report on Internal Control over Compliance


Management of the District 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 the District's 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 the District's internal control over compliance.

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

Purpose of this Report

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.


CERTIFIED PUBLIC ACCOUNTANTS
January 19, 2021

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Source/Grant Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF EDUCATION:			
Passed Through Oregon Department of Education:			
Title IA	84.010	50420	\$ 35,943
Title IA	84.010	53300	243,129
Subtotal Title I Grants to Local Educational Agencies			<u>279,072</u>
Special Education Cluster (IDEA):			
IDEA Part B, Section 611	84.027	53859	1,117,859
IDEA Part B, Section 611	84.027	49904	2,693
IDEA Enhancement	84.027	51295	885
IDEA Extended Assessment	84.027	54657	549
IDEA SPR & I	84.027	56683	21,984
Subtotal Special Education Cluster (IDEA)			<u>1,143,970</u>
Title III - English Language Acquisition	84.365	53432	6,302
Subtotal Title III - English Language Acquisition			<u>6,302</u>
Title IV - Student Support and Academic Enrichment	84.424	50755	14,167
Subtotal Title IV - Student Support and Academic Enrichment			<u>14,167</u>
Supporting Effective Instruction State Grants	84.367	53562	94,525
Subtotal Supporting Effective Instruction State Grants			<u>94,525</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,538,036</u>
U.S. DEPARTMENT OF AGRICULTURE:			
Passed Through Oregon Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	19,186
National School Lunch Program	10.555	N/A	208,683
National School Lunch Program - Commodities	10.555	N/A	106,314
Subtotal Child Nutrition Cluster			<u>334,183</u>
State Administrative Expenses 2019	10.560	N/A	1,826
Subtotal State Administrative Expenses			<u>1,826</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>336,009</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,874,045</u>

See notes to schedule of expenditures of federal awards

LAKE OSWEGO SCHOOL DISTRICT NO 7J
CLACKAMAS COUNTY, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Purpose of the Schedule

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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 of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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 allowable or are limited as to reimbursement.

Indirect Cost Rate

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

Federal Financial Assistance

Pursuant to Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

Uniform Guidance establishes criteria to be used in defining major federal financial assistance programs. Major programs for the District are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting Entity

The reporting entity is fully described in notes to the financial statements. The Schedule includes all federal programs administered by the District for the year ended June 30, 2020.

Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded when measurable and available. Expenditures are recorded when the liability is incurred. Donated commodities are valued at their estimated fair value

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Major program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.



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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

School Board
Lake Oswego School District No. 7J
Clackamas County, Oregon
2455 Country Club Road
Lake Oswego, Oregon 97034

We have audited, 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, the basic financial statements of Lake Oswego School District No. 7J, Clackamas County, Oregon (the District) as of and for the year ended June 30, 2020, and have issued our report thereon dated January 19, 2021.

Compliance and Other Matters

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

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

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

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following:

- Noted expenditures in excess of appropriations as disclosed in the notes to the financial statements.
- Noted that the years of experience reported for 10 of the 25 teachers tested were initially reported to Oregon Department of Education (ODE) incorrectly. These errors were subsequently corrected with ODE.

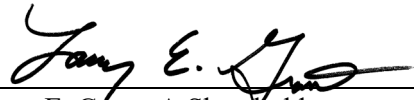
Internal Control

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Restriction on Use

This report is intended solely for the information and use of the school board and management of the Lake Oswego School District No. 7J and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Larry E. Grant, A Shareholder
January 19, 2021