

***LAKE OSWEGO SCHOOL
DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018***

Prepared by:
Business Services Department

Stuart Ketzler, CPA
Assistant Superintendent of Business Services

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LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
JUNE 30, 2018

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Wallin	Chair	June 30, 2019
Bob Barman	Member	June 30, 2019
Liz Hartman	Member	June 30, 2021
Sara Pocklington	Member	June 30, 2021
Robert Wagner	Member	June 30, 2021

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. Mike Musick, Superintendent

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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

School Board
Lake Oswego School District No. 7J
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, 2018, 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, 2018, 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 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

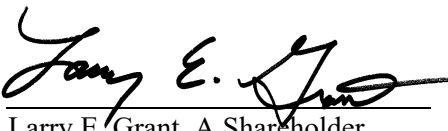
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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 February 6, 2019, 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
February 6, 2019

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, 2018.

Financial Highlights

- The liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of Lake Oswego School District at the close of the most recent fiscal year by \$6,581,246 at June 30, 2018. Of this amount, \$52,060,859 is invested in capital assets, net of related debt, \$94,583 is restricted to the payment of the District's general obligation bonded debt, and the remainder, (\$53,736,688), is unrestricted. The negative unrestricted portion of net position is due primarily to the District's net pension and other postemployment benefit liabilities recorded under GASBS Nos. 68, 73, and 75 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 increased by \$5,961,675 from the prior year's balance, due primarily to a decrease in net pension expenses and an increase in local property tax revenues and state resources.
- At June 30, 2018, the District's governmental funds reported combined ending fund balances of \$186,941,724. This substantial balance is due primarily to the sale of \$160 million of General Obligation bonds in August 2017. This sale issued \$160 million of the \$187 million in General Obligations bonds approved by district voters at the May 2017 election bonds to replace Lakeridge Junior High School and make capital improvements district-wide. As more fully discussed in the long-term debt sections of this discussion and in the footnotes, the bonds were sold at a premium of \$17.6 million.
- At June 30, 2018, the General Fund had an unassigned fund balance of \$16,892,351, an increase of \$2,820,273 from the prior year's unassigned fund balance of \$14,072,078. This increase was due to an increase in local property tax revenues and state resources, offset in part by increased expenditures. Additional information on state funding and the District's response can be found in the Economic Factors and Next Year's Budgets 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 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 \$6,581,246 at the close of the most recent fiscal year. A condensed Statement of Net Position for the current and prior fiscal year-end follows:

	Statements of Net Position	
	June 30,	
	<u>2018</u>	<u>2017</u>
Assets		
Current and Other Assets	\$ 203,056,050	\$ 26,138,454
Net Capital Assets	<u>112,439,447</u>	<u>106,219,361</u>
Total Assets	<u>315,495,497</u>	<u>132,357,815</u>
Deferred Outflows of Resources	<u>15,244,958</u>	<u>23,285,281</u>
Total Assets and Deferred Outflows of Resources	<u>330,740,455</u>	<u>155,643,096</u>
Liabilities		
Other Liabilities	14,128,150	9,512,041
Long-Term Debt	263,529,695	96,291,730
Pension and OPEB Liabilities	<u>56,055,385</u>	<u>59,498,747</u>
Total Liabilities	<u>333,713,230</u>	<u>165,302,518</u>
Deferred Inflows of Resources	<u>3,608,471</u>	<u>2,883,499</u>
Total Liabilities and Deferred Inflows of Resources	<u>337,321,701</u>	<u>168,186,017</u>
Net Position		
Net Investment in Capital Assets	52,060,859	45,807,642
Restricted	94,583	131,280
Unrestricted	<u>(58,736,688)</u>	<u>(58,481,843)</u>
Total Net Position	<u>\$ (6,581,246)</u>	<u>\$ (12,542,921)</u>

Current and other assets increased due to the issuance of \$160 million at par value of general obligation debt and an improvement in local property taxes and state funding as more fully explained in the Revenues discussion on page 7. The District's other liabilities have increased due primarily to increases in accounts payable and a matured bond and coupon payable that was paid on July 1, 2018. Long-term debt obligations have increased due to the issuance of the aforementioned debt, offset by normal annual principal payments.

Pension and OPEB liabilities decreased due to pension plan results through June 30, 2017 under GASBS No. 68. 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 40. Net capital assets have decreased due to the normal depreciation of depreciable capital assets.

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 the increase in the District's property taxes and state revenues, the District's net position increased by \$5,961,675 during the current fiscal year.

At the end of the current fiscal year, the District's net position - unrestricted shows a deficit balance of \$58,736,688. 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, 2018 and 2017.

Statements of Activities				
Year Ended June 30,				
	<u>2018</u>		<u>2017</u>	
Revenues				
Program Revenues				
Charges for Services	\$ 8,602,987	7.97%	\$ 7,941,772	8.73%
Grants and Contributions	5,961,982	5.53%	4,418,816	4.86%
Total Program Revenues	<u>14,564,969</u>	<u>13.50%</u>	<u>12,360,588</u>	<u>13.59%</u>
General Revenues				
Property Taxes	59,794,412	55.43%	48,976,238	53.82%
State Revenue Sharing	31,520,295	29.22%	28,142,964	30.93%
Other Federal, State and Local Sources	1,233,743	1.14%	1,148,943	1.26%
Investment Earnings	762,857	0.71%	372,725	0.41%
Total General Revenues	<u>93,311,307</u>	<u>86.50%</u>	<u>78,640,870</u>	<u>86.42%</u>
Total Revenues	<u>107,876,276</u>	<u>100.00%</u>	<u>91,001,458</u>	<u>100.00%</u>
Expenses				
Instruction	55,568,871	54.25%	52,639,876	58.25%
Support Services	27,177,310	26.53%	24,800,564	27.44%
Community Services	4,763,589	4.65%	4,738,716	5.24%
Facilities Acquisition	900,468	1.42%	(56,655)	-0.06%
Depreciation and Amortization	3,147,983	3.04%	2,999,659	3.32%
Interest and Fees on Long-Term Debt	10,356,380	10.11%	5,251,627	5.81%
Total Expenses	<u>101,914,601</u>	<u>100.00%</u>	<u>90,373,787</u>	<u>100.00%</u>
Change in Net Position	5,961,675		627,671	
Net Position - Beginning	(12,542,921)		(13,170,592)	
Net Position - Ending	<u><u>\$ (6,581,246)</u></u>		<u><u>\$ (12,542,921)</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 98% of general revenues and 84% of total revenues for the 2018 and 2017 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 the improving economy. Charges for services are only 7.97% and 8.73% of total revenues for the 2018 and 2017 fiscal years, respectively, and are comprised of the following items for which it is appropriate to charge tuition or fees:

	<u>2018</u>	<u>2017</u>
• Community services charges for enrichment and extended day care programs	\$ 2,909,624	\$ 2,698,666
• Food services charges not only for lunch and breakfast, but also for catering and contract services	1,372,356	1,333,578
• Tuition and fees are charged for participation in various extra-curricular activities and out-of-district students	<u>4,321,007</u>	<u>3,909,528</u>
Total Charges for Services:	<u>\$ 8,602,987</u>	<u>\$ 7,941,772</u>

Charges for extended care programs and tuition increased in fiscal year 2018 due to additional programs and a modest increase in extended day care fees. Food service charges increased in fiscal year 2018 due to a modest fee increase. Grants and contributions represent 5.53% and 4.86% of total revenues for the 2018 and 2017 fiscal years, respectively. Also included in this category is \$378,773 and \$394,827 for federal reimbursement and subsidy under the school lunch program for the 2018 and 2017 fiscal years, respectively. Other federal, state, and other grants for designated programs totaled \$1,669,435 and \$1,559,218, respectively. The balance is comprised primarily of contributions through the Lake Oswego School District Foundation, which was \$1.38 million in fiscal year 2018 and \$1.32 million in fiscal year 2017, 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% and 58% of the total expenses of \$101,914,601 and \$90,373,787 for the 2018 and 2017 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>2018</u>	<u>Net Cost of Services</u> <u>2018</u>	<u>Total Cost of Services</u> <u>2017</u>	<u>Net Cost of Services</u> <u>2017</u>
Instruction	\$ 55,568,871	\$ 48,727,658	\$ 52,639,876	\$ 46,873,202
Support Services	27,177,310	25,749,018	24,800,564	23,320,990
Community Services	4,763,589	102,836	4,738,716	401,282
Facilities Acquisition and Construction	900,468	(546,184)	(56,655)	(706,086)
Depreciation and Amortization	3,147,983	3,147,983	2,999,659	2,999,659
Interest and Fees on Long-Term Debt	<u>10,356,380</u>	<u>10,168,321</u>	<u>5,251,627</u>	<u>5,124,152</u>
Total	<u>\$ 101,914,601</u>	<u>\$ 87,349,632</u>	<u>\$ 90,373,787</u>	<u>\$ 78,013,199</u>

Total and net costs of services increased in fiscal year 2018 due primarily to the increase in interest and fees on long-term debt as a result of the issuance of new debt in August, 2017 and modest increases in PERS pension expense, normal cost increases, and modest increases in staffing.

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, 2018, the District's governmental funds reported combined ending fund balances of \$186,941,724. Additionally, \$144,569 is unspendable inventory and prepaid costs for use by various funds. \$1,323,314 is committed in the Special Revenue Funds, the majority of which is the fund balance for the Student Activity Fund. These fund balances are committed to programs congruent with the nature of the special revenue source. \$264,221 is restricted for debt service and \$168,344,220 is restricted for capital projects. The remaining \$16,892,351 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 \$16,892,351, an increase of \$2,820,273 from the prior year. This increase was due primarily to increased property taxes and state revenue sharing.

The Debt Service Fund had an ending fund balance restricted for debt service of \$264,221 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 \$168,344,220. This fund balance was created primarily with the sale of \$160 million of the district’s new bond authority of \$187 million approved by voters in the May 16, 2017 election. No significant construction activity had commenced as of June 30, 2018, though planning and design for several projects was well under way at that time.

Budgetary Highlights

The General Fund is usually the largest fund of the governmental funds. Due to a strong real estate market recovery, property tax revenues exceeded budgeted amounts by \$0.6 million and due to an improving state economy state revenue sources exceeded budgeted amounts by \$3.7 million. There was a positive variance of \$8.5 million above the \$8.4 million budgeted for the ending fund balance.

The differences between the original budget and the final amended budgets of the governmental funds was a budget transfer in the General Fund’s instruction contingency appropriation category to the support services and facilities acquisition and construction appropriation category for \$850,000 and \$1.35 million respectively to support higher transportation costs and field improvements and three appropriation transfers in the Capital Projects Fund – one at \$200,000 from contingency to instruction services and another for \$800,000 to support services from the facility acquisition and construction appropriation category in the Grants Fund to the support services appropriation category. Additional information on the budget can be found in the notes to the basic financial statements.

Capital Asset and Debt Administration

Capital assets. The District’s investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$112,439,447, an increase of \$6.2 million from the prior year amount of \$106,219,361 (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 5.86% 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		
	<u>2018</u>	<u>2017</u>	
Land	\$ 6,597,870	\$ 5,317,870	24.07%
Buildings and Improvements	93,920,001	96,682,224	-2.86%
Vehicles, Equipment and Furniture	3,295,888	1,550,749	112.54%
Construction in Progress	8,625,688	2,668,518	223.24%
Total	\$ 112,439,447	\$ 106,219,361	5.86%

Major capital asset events during the current and prior fiscal years included the following:

- Following extensive analysis and referral of a measure from the school board, voters approved in May 2017 issuance of up to \$187 million in bonds to fund replacement of Lakeridge Junior High School and improvements district wide. This followed studies of district real estate holdings during 2014 highlighted significant capital needs at the elementary and junior high schools, especially at Lakeridge Jr. High, due to expansive soils conditions, and at Oak Creek Elementary, due primarily to poor construction techniques employed in its original construction in 1990. The District convened a Facilities Advisory Committee in October 2014 to receive additional perspective and guidance from community members with significant facility expertise. A more formalized analysis of all District facilities completed in October 2015 identified \$51 million in deferred maintenance construction costs as well as an additional \$47 million in estimated seismic upgrades to bring all facilities up to at least a “life-safety standard”, which is a level of seismic resiliency that would allow safe exiting in the event of a major earthquake, though not necessarily preserving the building’s full structural integrity.

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 \$263,529,695, which does not include its other postemployment benefit liability of \$13,220,814 or its net pension liability of \$42,674,401. Of this \$263,529,695, \$256,436,935 is comprised of general obligation debt and pension obligation debt net of unamortized premiums and discounts, and \$7,092,760 comprises debts backed by the full faith and credit of the District. The District’s total debt increased by \$167,237,965 during the current fiscal during fiscal year 2018 due to the issuance of \$160 million at par value of general obligation bonds sold at a premium of \$17.6 million, offset by normal scheduled principal payments.

	Outstanding Long-Term Debt		Percentage Change
	Total School District		
	2018	2017	
Bonded Debt	\$ 256,436,935	\$ 88,675,098	65.4%
Other Long-Term Debt	7,092,760	7,616,632	-7.4%
Total	\$ 263,529,695	\$ 96,291,730	63.5%

Moody’s Investors Service issued its rating of Aa1 on the District’s August 2017 \$160 million unlimited tax general obligation bonds. S & P Global Ratings rated the district’s \$160 million unlimited tax general obligation bonds issued in 2017 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.

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 \$910 million, calculated as 7.95% of Real Market Value of \$11.4 billion. This limit is significantly in excess of the District’s June 30, 2018 outstanding general obligation debt of \$204,605,000.

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 Budgets

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 has 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 2009 and 2002 recessions. While slow, the Oregon economy has been steadily improving for over the past several years. Final state-wide K-12 state funding for the 2013-15 biennium was \$6.65 billion, up from \$5.7 billion in the 2011-13 biennium. With an improving economy, K-12 state funding for the 2015-17 biennium was approved at \$7.4 billion, though approximately \$200 million of the increase funds the implementation of full-day kindergarten on a state-wide basis. Previously the state only funded kindergarten on a half-day basis. With that as context, the following additional observations regarding economic factors and the budget for the next year are provided to highlight noteworthy issues:

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. This improvement was offset in part by increased PERS pension contribution rates effective July 1, 2017. State funding for the district is presently estimated to be over \$30 million for fiscal year 2019, which, while still inadequate, will allow the District, in combination with Foundation fund-raising, local option property tax revenues, and cost-cutting measures implemented following the great recession, as more fully discussed below, to retain its current program offerings and end the 2019 fiscal year with a healthy positive fund balance. Beginning in 2013-14, improving local option tax revenues and state revenues have allowed the district to make targeted staff and program improvements.

- In response to the 2008-09 recession, the District reduced staff and implemented other cost-reduction measures, the most significant of which was the District's reconfiguration of its elementary and junior high school grade levels that allowed the closure of three elementary schools. Analysis of this potential consolidation was initially in response to declining enrollment, but, due to the continued state funding crisis, a committee of the school board reviewed configuration scenarios in 2010 that, if enacted, would reduce costs by approximately \$1.5 million per year without necessarily involving the reduction of teaching staff. In December 2010, this committee presented its report to the School Board wherein it recommended the District close 3 of its 9 elementary schools at the end of the 2010-11 school year. This would be accomplished by reconfiguring the remaining 6 elementary schools from grades K to 6 to grades K to 5, and reconfiguring the District's two junior highs to grades 6 to 8 middle schools. While the committee recognized this would be a challenging and difficult transition, the committee believed the \$1.5 million saved each year in reduced support and infrastructure costs would help maintain core instructional programs, thereby allowing the district a better opportunity to meet the high educational expectations of the Lake Oswego community. A separate committee formed in early 2011 identified the three schools for closure and the school board ultimately decided to implement the closures and associated reconfiguration in two phases, closing one elementary school at the end of the 2010-11 school year and closing one more and repurposing the third at the end of the 2011-12 school year. These closures and reconfiguration are estimated to save the District approximately \$1.5 million or more per year in reduced support and infrastructure costs and economies of scale.
- Partially offsetting the loss of state funding 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, the Foundation provided \$1.4 million to the District for fiscal year 2011, \$2.1 million for fiscal year 2012, \$1.7 million for fiscal year 2013, \$1.6 million for each fiscal year 2014 and 2015, \$815,000 for fiscal year 2016, \$1.32 million for fiscal year 2017, and \$1.38 million for fiscal year 2018. The Foundation expects to raise approximately \$1.1 million for fiscal year 2019. These fundraising efforts are remarkable feats in light of the significant recession that began in 2008. 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. Additionally, with voter approval, the District is able to raise additional property tax revenues using a local option tax levy. First implemented in 2000, District voters overwhelmingly authorized an additional 5 years of this levy on November 5, 2013. The levy was renewed with 78.5% voting in favor, which will provide local option tax revenues to the District each year through fiscal year 2020. Local option tax revenues were \$10.17 million in fiscal year 2018, \$9.64 million in fiscal year 2017, \$8.75 million in fiscal year 2016 and \$7.46 million in fiscal year 2015. Those are substantial increases above the

amounts received in the two prior years; \$5.88 million in fiscal year 2014 and \$5.91 million in fiscal year 2013, down from \$7.45 million in fiscal year 2010. Prior to fiscal year 2016, fiscal year 2010 had been the highest single year of local option tax revenues; the lower amounts in the following years were due to declining real market property values under a phenomena generally known as compression. The revenues generated by this local option tax will increase to approximately \$10.8 million in fiscal year 2019 as real market values continue to rebound at a rate higher than normal annual increases in assessed values. \$10.45 million was budgeted for local option property taxes in fiscal year 2019. The District is hopeful this positive trend will continue in succeeding property tax assessments and valuations.

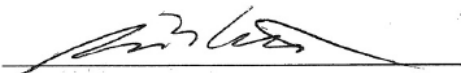
- The District settled its lawsuit against former legal representation in fiscal year 2014 in exchange for receipt of a \$1.5 million payment. This left the District approximately \$5.5 million short of full recovery of damages it incurred in connection with its two high school capital projects. This shortfall was funded by a long-term Full Faith and Credit obligation that also refinanced debts issued in June 2005 for the installation of fire sprinkler systems in all schools. This new debt of \$8,371,000 was issued in June 2015 and matures in 2030. Debt service payments on this debt are paid from the General Fund.
- 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, 2017, the District saw an increase in its PERS rates of 5% on average, representing approximately \$2 million in additional PERS contribution expenditures annually for fiscal year 2018 and beyond. Rates effective July 1, 2019 were set in October 2018 and will increase PERS rates on July 1, 2019 by 4% 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. 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%. 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, 2018 is 21.5% of adopted expenditures and it is likely the fund balance will also exceed the upper 15% limit at the end of fiscal year 2019. However, due to additional increases in PERS rates that will take place in the next biennium, unless there is a large increase in state funding for the 2019-21 biennium, revenues may not sufficiently cover all mandated cost increases the District presently anticipates. Long-term strategic plans are in process to guide the District as major decisions are made.

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. Mike Musick
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, 2018

	PRIMARY GOVERNMENT	COMPONENT UNIT
ASSETS		
Cash and Investments	\$ 196,855,608	\$ -
Intergovernmental Receivables	-	403,516
Property Taxes and Other Receivables	5,895,703	13,353
Prepays	53,872	-
Inventories	90,697	-
Capital Assets Not Being Depreciated	15,223,558	-
Capital Assets, Net of Accumulated Depreciation	97,215,889	-
Net RHIA OPEB Asset	160,170	-
	<hr/>	<hr/>
Total Assets	315,495,497	416,869
DEFERRED OUTFLOWS OF RESOURCES		
OPEB Deferred Outflows	190,294	-
Stipend Pension Deferred Outflows	18,568	-
PERS Pension Deferred Outflows	15,036,096	-
	<hr/>	<hr/>
Total Deferred Outflows of Resources	15,244,958	-
	<hr/>	<hr/>
Total Assets and Deferred Outflows of Resources	330,740,455	416,869
LIABILITIES:		
Accounts Payable	4,410,720	9,172
Accrued Payroll, Taxes, and Employee Withholdings	5,095,704	-
Intergovernmental Payables	403,516	-
Unearned Revenue	1,233,877	-
Matured Bonds and Coupons Payable	1,689,104	-
Accrued Interest Payable	761,645	-
Vested Compensated Absences Payable	533,584	-
Long-term Liabilities:		
Due Within One Year	9,921,052	-
Due in More Than One Year	253,608,643	-
Net PERS Pension Liability	42,674,401	-
Total Stipend Pension Liability	1,954,642	-
Total Health Insurance OPEB Liability	11,426,342	-
	<hr/>	<hr/>
Total Liabilities	333,713,230	9,172
DEFERRED INFLOWS OF RESOURCES		
OPEB Deferred Inflows	879,190	-
Stipend Pension Deferred Inflows	836,552	-
PERS Pension Deferred Inflows	1,892,729	-
	<hr/>	<hr/>
Total Deferred Inflows of Resources	3,608,471	-
	<hr/>	<hr/>
Total Liabilities and Deferred Inflows of Resources	337,321,701	9,172
NET POSITION:		
Net Investment in Capital Assets	52,060,859	-
Restricted for Debt Service	94,583	-
Unrestricted	(58,736,688)	407,697
	<hr/>	<hr/>
Total Net Position	\$ (6,581,246)	\$ 407,697

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

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LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

FUNCTIONS	FUNCTION 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	\$ 55,568,871	\$ 3,787,086	\$ 3,054,127	\$ -	\$ (48,727,658)	\$ -
Support Services	27,177,310	505,534	922,758	-	(25,749,018)	-
Community Services	4,763,589	4,281,980	378,773	-	(102,836)	-
Facilities Acquisition	900,468	28,387	-	1,418,265	546,184	-
Depreciation and Amortization	3,147,983	-	-	-	(3,147,983)	-
Interest and Fees on Long-Term Debt	10,356,380	-	188,059	-	(10,168,321)	-
Total Governmental Activities - Primary Government	\$ 101,914,601	\$ 8,602,987	\$ 4,543,717	\$ 1,418,265	(87,349,632)	-
Component Unit - Lake Grove Park	\$ 148,855	\$ 15,072	\$ -	\$ -	-	(133,783)
General Revenues						
Taxes:						
Property Taxes, Levied for General Purposes					43,989,850	203,920
Property Taxes, Levied for Debt Service					15,804,562	-
State Revenue Sharing					31,520,295	-
Grants and Contributions Not Restricted to Specific Programs:						
Federal					7,230	-
State and Local Grants					1,222,902	-
Interest and Investment Earnings					762,857	73
Net Gain on Sale of Capital Assets					3,611	-
Total General Revenues					93,311,307	203,993
Changes in Net Position					5,961,675	70,210
Net Position - Beginning					(12,542,921)	337,487
Net Position - Ending					\$ (6,581,246)	\$ 407,697

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, 2018

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
		<u>COMMUNITY CONTRIBUTIONS</u>
ASSETS:		
Cash and Investments	\$ 26,830,306	\$ -
Interfund Receivables	-	1,077,519
Interfund Loan Receivable	3,359,428	-
Receivables:		
Taxes	2,813,572	-
Accounts	367,263	3,415
Accrued Interest	5	-
Grants	-	-
Prepays	53,872	-
Inventory of Supplies	63,746	-
	<u>33,488,192</u>	<u>1,080,934</u>
Total Assets	<u>\$ 33,488,192</u>	<u>\$ 1,080,934</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:		
Liabilities		
Interfund Payables	\$ 4,917,028	\$ -
Interfund Loan Payable	-	-
Intergovernmental Payable	403,516	-
Accrued Payroll and Benefits Payable	5,095,704	-
Accounts Payable	1,836,090	381
Unearned Revenue	7,797	915,000
Matured Bond and Coupons Payable	1,688,860	-
	<u>13,948,995</u>	<u>915,381</u>
Total Liabilities	<u>13,948,995</u>	<u>915,381</u>
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	2,529,228	-
Fund Balances:		
Nonspendable:		
Prepays	53,872	-
Inventory	63,746	-
Restricted for:		
Debt Service	-	-
Capital Projects	-	-
Committed to:		
Community Support	-	165,553
Student Activities	-	-
Unassigned	16,892,351	-
	<u>17,009,969</u>	<u>165,553</u>
Total Fund Balances	<u>17,009,969</u>	<u>165,553</u>
	<u>\$ 33,488,192</u>	<u>\$ 1,080,934</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 33,488,192</u>	<u>\$ 1,080,934</u>

DEBT SERVICE	CAPITAL PROJECTS	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 182,117	\$ 168,923,045	\$ 920,140	\$ 196,855,608
-	4,685,548	538,919	6,301,986
-	-	-	3,359,428
674,353	-	-	3,487,925
-	178,164	21,098	569,940
2	481,476	-	481,483
-	-	1,356,355	1,356,355
-	-	-	53,872
-	-	26,951	90,697
<u>\$ 856,472</u>	<u>\$ 174,268,233</u>	<u>\$ 2,863,463</u>	<u>\$ 212,557,294</u>
\$ -	\$ 53,176	\$ 1,331,782	\$ 6,301,986
-	3,359,428	-	3,359,428
-	-	-	403,516
-	-	-	5,095,704
-	2,511,409	62,840	4,410,720
-	-	311,080	1,233,877
244	-	-	1,689,104
<u>244</u>	<u>5,924,013</u>	<u>1,705,702</u>	<u>22,494,335</u>
592,007	-	-	3,121,235
-	-	-	53,872
-	-	26,951	90,697
264,221	-	-	264,221
-	168,344,220	-	168,344,220
-	-	211,820	377,373
-	-	918,990	918,990
-	-	-	16,892,351
<u>264,221</u>	<u>168,344,220</u>	<u>1,157,761</u>	<u>186,941,724</u>
<u>\$ 856,472</u>	<u>\$ 174,268,233</u>	<u>\$ 2,863,463</u>	<u>\$ 212,557,294</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, 2018

Total Fund Balances - Governmental Funds	\$	186,941,724
<p>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.</p>		
Net Capital Assets		112,439,447
<p>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 of resources related to pensions or OPEBs are applicable to future periods and, therefore, are not reported in the funds.</p>		
Total/Net OPEB net asset (liability)	\$	(11,266,172)
Total/Net Stipend and PERS pension asset (liability)		(44,629,043)
Deferred inflows of resources related to pensions and OPEBs		(3,608,471)
Deferred outflows of resources related to pensions and OPEBs		15,244,958
		<u>(44,258,728)</u>
<p>Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Position.</p>		
Long Term Liabilities		
Compensated Absences Payable		(533,584)
FF & C's Payable		(6,940,000)
Accrued Interest Payable		(761,645)
Notes Payable		(152,760)
PERS Bonds Payable		(34,806,887)
General Obligation Bonds Payable		(204,605,000)
		<u>(247,799,876)</u>
Unamortized Premium on Issuance of Long-Term Debt		(17,025,048)
Unavailable Revenue Related to Property Taxes		<u>3,121,235</u>
Net Position	\$	<u><u>(6,581,246)</u></u>

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, 2018**

	GENERAL	SPECIAL REVENUE COMMUNITY CONTRIBUTIONS
REVENUES:		
Local Sources:		
Taxes	\$ 43,765,243	\$ -
Earnings on Investments	608,572	-
Contributions and Donations	-	1,981,079
Charges for Services	643,987	-
Other Local Sources	611,548	-
Intermediate Sources	1,222,902	-
State Sources	31,495,217	-
Federal Sources	7,230	-
Total Revenues	<u>78,354,699</u>	<u>1,981,079</u>
EXPENDITURES:		
Current:		
Instruction	45,324,536	1,611,599
Support Services	24,515,955	51,024
Enterprise and Community Services	-	-
Capital Outlay	1,457,300	257,216
Debt Service:		
Principal	1,430,951	-
Interest and Other Charges	2,765,782	67,638
Total Expenditures	<u>75,494,524</u>	<u>1,987,477</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,860,175</u>	<u>(6,398)</u>
OTHER FINANCING SOURCES, (USES):		
Proceeds from Issuance of Long-term Debt	-	-
Sale/Compensation For Loss of Capital Assets	3,611	-
Transfers In	-	-
Transfers Out	(48,128)	-
Total Other Financing Sources, (Uses)	<u>(44,517)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	2,815,658	(6,398)
Increase (Decrease) in Inventories	(8,300)	-
Unrecognized Gain (Loss) on Investments	-	-
Net Change in Fund Balance	2,807,358	(6,398)
FUND BALANCE, Beginning of Year	<u>14,202,611</u>	<u>171,951</u>
FUND BALANCE, End of Year	<u>\$ 17,009,969</u>	<u>\$ 165,553</u>

	DEBT SERVICE	CAPITAL PROJECTS	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS			
\$	15,609,784	\$	479,097	\$	-	\$	59,854,124
	162,572		2,038,840		-		2,809,984
	-		-		-		1,981,079
	-		-		7,319,065		7,963,052
	-	700,339		-			1,311,887
	-	-		129,600			1,352,502
	-	-		677,124			32,172,341
	-	-		2,048,208			2,055,438
	<u>15,772,356</u>		<u>3,218,276</u>		<u>10,173,997</u>		<u>109,500,407</u>
	-		611,157		4,417,039		51,964,331
	-		441,588		871,734		25,880,301
	-		-		4,536,602		4,536,602
	-	8,502,338		10,000			10,226,854
	7,545,000		-		33,872		9,009,823
	<u>7,933,433</u>		<u>221,206</u>		<u>189,584</u>		<u>11,177,643</u>
	<u>15,478,433</u>		<u>9,776,289</u>		<u>10,058,831</u>		<u>112,795,554</u>
	<u>293,923</u>		<u>(6,558,013)</u>		<u>115,166</u>		<u>(3,295,147)</u>
	-		177,594,448		-		177,594,448
	-		-		-		3,611
	-		-		48,128		48,128
	-		-		-		(48,128)
	<u>-</u>		<u>177,594,448</u>		<u>48,128</u>		<u>177,598,059</u>
	293,923		171,036,435		163,294		174,302,912
	-		-		48		(8,252)
	<u>-</u>		<u>(2,047,127)</u>		<u>-</u>		<u>(2,047,127)</u>
	293,923		168,989,308		163,342		172,247,533
	<u>(29,702)</u>		<u>(645,088)</u>		<u>994,419</u>		<u>14,694,191</u>
\$	<u><u>264,221</u></u>	\$	<u><u>168,344,220</u></u>	\$	<u><u>1,157,761</u></u>	\$	<u><u>186,941,724</u></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, 2018**

Total Net Changes in Fund Balances - Governmental Funds		\$	172,247,533
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.			10,390,114
Net proceeds 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.			(177,594,448)
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	\$	9,368,069	
Depreciation Expense		<u>(3,147,983)</u>	
			6,220,086
In the Statement of Activities, pension and OPEB expense is adjusted based on the actuarially determined contribution changes.			
Net Change in Pension and OPEB liabilities/assets		3,603,532	
Net Change in Pension and OPEB deferred outflows of resources		(8,040,323)	
Net Change in Pension and OPEB deferred inflows of resources		<u>(724,972)</u>	
			(5,161,763)
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.			(559,232)
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>419,385</u>
Change in Net Position of Governmental Activities		\$	<u><u>5,961,675</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, 2018

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 \$1.38 million for the year ended June 30, 2018.

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 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

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 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. This fund is presented as major due to the importance of the information to voters.

Capital Projects Fund - This fund is used to account for the District's major construction projects. Proceeds from the sale of bonds 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 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

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, as are the proprietary and fiduciary fund financial statements. 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 Bills, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). U.S. Treasury Bills 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 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

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 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

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, 2017 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 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

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 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

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, four appropriations transfers were 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, 2018:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<hr/>	<hr/>
<i>Cash and Investments</i>		
Cash on hand	\$ 4,800	\$ 4,800
Deposits with financial institutions	1,348,846	1,348,846
Investments	195,501,962	195,501,962
	<hr/>	<hr/>
	\$ 196,855,608	\$ 196,855,608
	<hr/> <hr/>	<hr/> <hr/>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

CASH AND INVESTMENTS (Continued)

Deposits

The District's deposits with various financial institutions had a bank value of \$2,838,288 and a book value of \$1,348,846 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, 2018, \$2,336,173 of the District's bank balances were covered by the PFCP.

Investments

As of June 30, 2018, the District held the following investments and maturities:

Investment type	Fair Value	Weighted Average Maturity in years	% of portfolio
Treasury bills	\$ 80,325,930	1.410	41%
US Agency Investments	73,064,349	1.430	37%
Local Government Investment Pool	42,111,683	0.003	22%
	\$ 195,501,962	0.58	100%

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 securities are valued using quoted market prices (Level 1 inputs).

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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

CASH AND INVESTMENTS (Continued)

Investments (Continued)

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 an amount in excess of \$40 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, 2018, 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.

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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

CASH AND INVESTMENTS (Continued)

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:

<u>General Investment Type</u>	<u>Maximum % of Portfolio</u>	<u>Maximum length to maturity</u>
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

<u>Bond Proceed Investment Type</u>	<u>Maximum % of Portfolio</u>	<u>Maximum length to maturity</u>
Certificates of Deposit	100%	3 years
U.S. Treasury Obligations (Bills, Notes, Bonds)	100%	3 years
Local Government Investment Pool (LGIP)	100%	1 day
Bank 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 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

RECEIVABLES

Receivables are comprised of the following as of June 30, 2018:

Property taxes receivable		
General Fund	\$	2,813,572
Debt Service Fund		674,353
Total property taxes receivable		<u>3,487,925</u>
Accounts, grants and accrued interest receivable		
General Fund		367,268
Community Contributions Fund		3,415
Debt Service Fund		2
Capital Projects Fund		659,640
Other Nonmajor Governmental Funds		1,377,453
Total accounts and grants receivable		<u>2,407,778</u>
Total	\$	<u><u>5,895,703</u></u>

INTERFUND RECEIVABLES AND PAYABLES AND LOAN

The composition of interfund receivable and payable balances as of June 30, 2018 is as follows:

	<i>Due from Other Funds</i>	<i>Due to Other Funds</i>
	<u> </u>	<u> </u>
General	\$ -	\$ 4,917,028
Community Contributions	1,077,519	-
Capital Projects	4,685,548	53,176
Other Nonmajor Governmental Funds	538,919	1,331,782
	<u> </u>	<u> </u>
Total	<u>\$ 6,301,986</u>	<u>\$ 6,301,986</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.

An interfund capital loan of \$3,359,428 due to the General Fund from the Capital Projects Funds to finance the acquisition of real property was outstanding at June 30, 2018. Its principal terms are repayment due by December 31, 2018 with interest at 2.25%. Subsequent to year end, the repayment due date was extended to July 31, 2019.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

CAPITAL ASSETS

Capital assets activity for the year was as follows:

	<i>Balances July 1, 2017</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2018</i>
Capital assets not being depreciated:				
Land	\$ 5,317,870	\$ 1,280,000	\$ -	\$ 6,597,870
Construction in progress	2,668,518	7,577,162	(1,619,992)	8,625,688
<i>Total Capital Assets Not Being Depreciated</i>	<u>7,986,388</u>	<u>8,857,162</u>	<u>(1,619,992)</u>	<u>15,223,558</u>
Capital assets being depreciated:				
Buildings and improvements	143,408,985	-	-	143,408,985
Vehicles and equipment	4,846,339	2,130,899	(618,464)	6,358,774
<i>Total Capital Assets Being Depreciated</i>	<u>148,255,324</u>	<u>2,130,899</u>	<u>(618,464)</u>	<u>149,767,759</u>
Less accumulated depreciation for:				
Buildings and improvements	(46,726,761)	(2,762,223)	-	(49,488,984)
Vehicles and equipment	(3,295,590)	(385,760)	618,464	(3,062,886)
<i>Total Accumulated Depreciation</i>	<u>(50,022,351)</u>	<u>(3,147,983)</u>	<u>618,464</u>	<u>(52,551,870)</u>
<i>Total Capital Assets Being Depreciated, net</i>	<u>98,232,973</u>	<u>(1,017,084)</u>	<u>-</u>	<u>97,215,889</u>
<i>Total Capital Assets, net</i>	<u>\$ 106,219,361</u>	<u>\$ 7,840,078</u>	<u>\$ (1,619,992)</u>	<u>\$ 112,439,447</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

LONG-TERM DEBT

The following is a summary and changes of long-term debt during the year ended June 30, 2018:

	<u>Original Issue</u>	<u>Outstanding July 1, 2017</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2018</u>	<u>Amounts Due in One Year</u>
General obligation bonds used for						
Capital Purposes:						
August 4, 2005	\$ 80,740,000	\$ 52,150,000	\$ -	\$ (4,375,000)	\$ 47,775,000	\$ 4,830,000
August 24, 2017	160,000,000	-	160,000,000	(3,170,000)	156,830,000	2,195,000
Total G.O. Bonds		52,150,000	160,000,000	(7,545,000)	204,605,000	7,025,000
Pension Bonds:						
October 2002	23,926,732	17,729,082	-	(496,372)	17,232,710	504,223
April 2003	16,302,037	11,462,762	-	(444,579)	11,018,183	434,825
August 2011	1,660,000	1,660,000	-	-	1,660,000	-
Total pension bonds		30,851,844	-	(940,951)	29,910,893	939,048
Total		83,001,844	160,000,000	(8,485,951)	234,515,893	7,964,048
Amortization of premiums		-	17,594,448	(569,400)	17,025,048	-
Accretion of discount		5,673,254	603,235	(1,380,495)	4,895,994	1,417,487
Total bonds payable		88,675,098	178,197,683	(10,435,846)	256,436,935	9,381,535
Note payable		186,632	-	(33,872)	152,760	35,517
Full faith and credit obligations		7,430,000	-	(490,000)	6,940,000	504,000
Total		<u>\$ 96,291,730</u>	<u>\$ 178,197,683</u>	<u>\$ (10,959,718)</u>	<u>\$ 263,529,695</u>	<u>\$ 9,921,052</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.					\$ 47,775,000	
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 4.0% to 5.0% through 2043.					156,830,000	
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.					17,232,710	
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.					11,018,183	
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.					21,921,042	
Note payable due in semi-annual installments of \$21,214 including interest at 4.8% per annum through 2022.					152,760	
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.					6,940,000	
Total long-term debt					<u>\$ 263,529,695</u>	

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

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>
2019	\$ 7,964,048	\$ 12,143,408	\$ 20,107,456
2020	8,822,936	12,008,147	20,831,083
2021	9,198,158	10,746,423	19,944,581
2022	10,243,095	10,429,329	20,672,424
2023	11,427,656	9,994,876	21,422,532
2024-2028	56,210,000	34,737,271	90,947,271
2029-2033	30,725,000	24,275,300	55,000,300
2034-2038	41,450,000	16,812,200	58,262,200
2039-2043	58,475,000	7,352,600	65,827,600
	<u>\$ 234,515,893</u>	<u>\$ 138,499,554</u>	<u>\$ 373,015,447</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. \$27 million of general obligation bonds are authorized but unissued as of June 30, 2018.

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.

In August 2011, the District issued \$1,660,000 Limited Tax Pension Obligations, Series 2011 (federally taxable) with a net interest cost of 4.12% (the "2011 Refunding bonds") to currently refund a portion of the outstanding 2002 series bonds (the 2021 maturity) with a par value of \$1,595,000 and an average coupon rate of 5.5%. The net proceeds of \$1,620,194 (after payment of \$39,806 in underwriting fees and other issuance costs) were used to refund the identified bonds. The series 2011 Limited Tax Pension Obligations are payable in full at maturity in June 2021. The bonds are federally taxable and subject to optional prepayment prior to their stated maturities.

This refunding reduced total debt service payments over 10 years by \$93,863 and obtained an economic gain, defined as the difference between the present values of the debt service payments on the old and new debt, of \$127,036.

Note payable consists of one loan due in semi-annual payments of \$21,214, each due on December and June 15 including interest at 4.8% per annum, maturing on June 15, 2022.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

LONG-TERM DEBT (Continued)

Future debt service requirements on the note payable are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	\$ 35,517	\$ 6,911	\$ 42,428
2020	37,242	5,186	42,428
2021	39,051	3,377	42,428
2022	40,950	1,482	42,432
	<u>\$ 152,760</u>	<u>\$ 16,956</u>	<u>\$ 169,716</u>

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>
2019	\$ 504,000	\$ 176,623	\$ 680,623
2020	517,000	163,796	680,796
2021	525,000	150,639	675,639
2022	538,000	137,277	675,277
2023	556,000	123,585	679,585
2024-2028	2,996,000	398,522	3,394,522
2029-2030	1,304,000	49,671	1,353,671
	<u>\$ 6,940,000</u>	<u>\$ 1,200,113</u>	<u>\$ 8,140,113</u>

Compensated absences activity for the year is as follows:

	<i>Outstanding July 1, 2017</i>	<i>Increases</i>	<i>Decreases</i>	<i>Outstanding June 30, 2018</i>	<i>Amount Due in One Year</i>
Compensated absences	<u>\$ 533,380</u>	<u>\$ 533,584</u>	<u>\$ (533,380)</u>	<u>\$ 533,584</u>	<u>\$ 533,584</u>

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

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 48,128
Other nonmajor funds	48,128	-
Total	<u>\$ 48,128</u>	<u>\$ 48,128</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 to cover ineligible bad debt expenditures and to the 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

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

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.

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, 2015 actuarial valuation, which became effective July 1, 2017. 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, 2018 were \$3,448,515, excluding amounts to fund employer specific liabilities. Employer PERS pension expense of \$6,357,687 was recognized during the reporting period.

At June 30, 2018, the District reported a net pension liability of \$42,674,401 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. 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, 2017, the District's proportion was 0.32 percent.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

	<u>Deferred Outflow of Resources</u>	<u>Deferred (Inflow) of Resources</u>	<u>Net</u>
Difference between expected and actual experience	\$ 2,063,752	\$ -	
Changes in assumptions	7,778,782	-	
Net difference between projected and actual earnings on pension plan investments	439,646	-	
Changes in proportionate share	1,280,197	(53,042)	
Difference between employer contributions and employer's proportionate share of system contributions	<u>25,204</u>	<u>(1,839,687)</u>	
Subtotal - Amortized Deferrals	11,587,581	(1,892,729)	<u>\$ 9,694,852</u>
District contributions subsequent to measurement date	<u>3,448,515</u>	-	
Total deferred outflow (inflow) of resources	<u>\$ 15,036,096</u>	<u>\$ (1,892,729)</u>	
Net deferred outflow (inflow) of resources		<u>\$ 13,143,367</u>	

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

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 1,875,861
2019	5,331,183
2020	3,581,515
2021	(1,121,031)
2022	<u>27,324</u>
Total	<u>\$ 9,694,852</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 February 20, 2018. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/PERS/pages/financials/Actuarial-Financial-Information.aspx>.

Actuarial Valuations

The employer contribution rates effective July 1, 2017 through June 30, 2019, 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 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

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, 2015
Measurement date	June 30, 2017
Experience study	2014, published September 2015
Actuarial cost method	Entry age normal
Actuarial Assumptions	
Inflation Rate	2.50%
Long-term expected rate of return	7.50%
Discount rate	7.50%
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-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Six-distinct, generational per Scale BB, disabled mortality table.</p>

(Source: June 30, 2017 PERS CAFR; page 65)

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

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.50 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, 2017 PERS CAFR; page 66)

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

Assumed Asset Allocation

Asset Class/Strategy	OIC Policy Range	Current Year Target
Cash	0.0 - 3.0%	0.0%
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, 2017 PERS CAFR; page 92)

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 2015 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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

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 %	4.10 %	4.00 %	4.68 %
Short-Term Bonds	8.00	3.65	3.61	2.74
Bank / Leverages Loans	3.00	5.69	5.42	7.82
High Yield Bonds	1.00	6.67	6.20	10.28
Large / Mid Cap US Equities	15.75	7.96	6.70	17.07
Small Cap US Equities	1.31	8.93	6.99	21.35
Micro Cap US Equities	1.31	9.37	7.01	23.72
Developed Foreign Equities	13.13	8.34	6.73	19.40
Emerging Market Equities	4.12	10.56	7.25	28.45
Non-US Small Cap Equities	1.88	9.01	7.22	20.55
Private Equity	17.50	11.60	7.97	30.00
Real Estate (Property)	10.00	6.48	5.84	12.00
Real Estate (REITS)	2.50	8.74	6.69	22.02
Hedge Fund of Funds - Diversified	2.50	4.94	4.64	8.09
Hedge Fund - Event-Driven	0.63	7.07	6.72	8.90
Timber	1.88	6.60	5.85	13.00
Farmland	1.88	7.11	6.37	13.00
Infrastructure	3.75	8.31	7.13	16.50
Commodities	1.88	6.07	4.58	18.40
Assumed Inflation - Mean			2.50 %	1.85 %

(Source: June 30, 2017 PERS CAFR; page 69)

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	<u>1% Decrease</u> <u>(6.50%)</u>	<u>Discount Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
District's proportionate share of the net pension liability (asset)	\$ 72,724,972	\$ 42,674,401	\$ 17,546,560

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

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 \$2,330,000 for the year ended June 30, 2018. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2018.

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, 2017. As of the most recent valuation date, program participants included 730 active employees and 97 retired employees or beneficiaries currently receiving benefits.

Early Retirement Incentives

Description - The District maintains a single-employer early retirement supplement programs for teachers or administrators who retire with 10 to 15 years of regular service to the District. The programs provide 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 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

PENSION PLAN (Continued)

Funding Policy

The District provides payments in accordance with current contracts on a pay-as-you-go basis. At June 30, 2018, the District was providing early retirement benefits to 40 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, 2018, governmental fund expenditures related to early retirement stipend benefits totaled \$238,654.

Total Stipend Pension Liability

The District's total Stipend pension liability at June 30, 2018 of \$1,954,642 was measured as of June 30, 2018, and was determined by an actuarial valuation as June 30, 2017 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, 2018 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	3.58%

- 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, 2015 PERS actuarial valuation.
- The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total Stipend Pension Liability

	<u>Total Stipend Pension Liability</u>
Balance at July 1, 2017	\$ 1,998,465
Changes for the year:	
Service cost	69,334
Interest on Total Pension Liability	68,297
Benefit payments - Stipends	(181,454)
Net changes	<u>(43,823)</u>
Balance at June 30, 2018	<u>\$ 1,954,642</u>

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

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

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 (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

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

	<u>1% Decrease (2.58%)</u>	<u>Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total Stipend Pension Liability on June 30, 2018	\$ 2,059,244	\$ 1,954,642	\$ 1,852,972

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Stipends

For the year ended June 30, 2018, the District recognized stipend pension expense of \$43,933. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the stipend plan from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred (Inflow) of Resources</u>	<u>Net</u>
Net difference between projected and actual earnings on investments	\$ -	\$ 836,552	
Changes of assumptions and other inputs	18,568	-	
Net deferred outflow (inflow) of resources, amortized below	<u>\$ 18,568</u>	<u>\$ 836,552</u>	<u>\$ (817,984)</u>

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

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ (93,698)
2020	(93,698)
2021	(93,698)
2022	(93,698)
2023	(93,698)
Thereafter	(349,494)
Total	<u>\$ (817,984)</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

OTHER POST EMPLOYMENT BENEFITS (OPEBs)

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, 2018 were 0.50% of annual covered OPERF payroll and 0.43% 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, 2018, 2017, and 2016 were \$185,096, \$178,408, and \$170,929, which equaled the required contributions each year.

At June 30, 2018, the District reported a net OPEB liability/(asset) of (\$160,170) for its proportionate share of the net OPEB liability/(asset). The OPEB liability/(asset) was measured as of June 30, 2017, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2015. 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, 2017, the District’s proportion was .38 percent. OPEB expense related to RHIA for the year ended June 30, 2018 was a credit of \$276,282. 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.

	<i>Deferred Outflow of Resources</i>	<i>Deferred (Inflow) of Resources</i>	<i>Net</i>
Difference between expected and actual experience	\$ -	\$ (74,182)	
Changes of assumptions and other inputs	5,198	-	
Subtotal - Amortized Deferrals	5,198	(74,182)	<u>\$ (68,984)</u>
District contributions subsequent to measurement date	185,096	-	
Total deferred outflow (inflow) of resources	<u>\$ 190,294</u>	<u>\$ (74,182)</u>	

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the RHIA OPEB will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ (16,620)
2020	(16,620)
2021	(17,197)
2022	<u>(18,547)</u>
Total	<u>\$ (68,984)</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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current discount rate:

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net OPEB liability/(asset)	\$ 22,327	\$ (160,170)	\$ (315,395)

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 (\$160,170). 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.

Changes in Plan Provisions Subsequent to Measurement Date

The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change was effective January 1, 2018, and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

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, 2018, the District was providing early retirement incentive health care benefits to 81 former employees.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

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 \$552,684 during the year ended June 30, 2018.

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. There are 118 retired members in the plan. As of the date of the valuation, 684 active members are 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.

Total Health Insurance OPEB Liability

The District's total health insurance OPEB liability of \$11,426,342 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017 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, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

Inflation rate	2.50%
Salary increases, average, including inflation	3.50%
Discount rate	3.58%
Healthcare cost trend rates (8% initial rate increase, decreasing to 5% over six years for Moda plans, 5% for all years for Kaiser plans)	8.00%

- 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, 2015 PERS actuarial valuation.
- The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total Health Insurance OPEB Liability

	Total Health Insurance OPEB Liability
Balance at July 1, 2017	\$ 11,305,961
Changes for the year:	
Service cost	470,656
Interest on Total OPEB Liability	391,476
Benefit payments - Medical premiums	(504,969)
Benefit payments - Implicit subsidy	(236,782)
Net changes	120,381
Balance at June 30, 2018	<u>\$ 11,426,342</u>

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

Total Health Insurance OPEB Liability

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 (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	<i>1% Decrease</i> <i>(2.58%)</i>	<i>Discount Rate</i> <i>(3.58%)</i>	<i>1% Increase</i> <i>(4.58%)</i>
Total Health Insurance OPEB Liability on June 30, 2018	\$ 12,293,344	\$ 11,426,342	\$ 10,622,211

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

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, 2018	\$ 10,880,149	\$ 11,426,342	\$ 12,065,611

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

For the year ended June 30, 2018, the District recognized health insurance related OPEB expense of \$749,542. At June 30, 2018, 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	\$ -	\$ (738,058)
Changes of assumptions and other inputs	-	(66,950)
Total deferred outflow (inflow) of resources	<u>\$ -</u>	<u>\$ (805,008)</u>
Net deferred outflow (inflow) of resources, amortized below		<u>\$ (805,008)</u>

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

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ (112,590)
2020	(112,590)
2021	(112,590)
2022	(112,590)
2023	(112,590)
Thereafter	<u>(242,058)</u>
Total	<u>\$ (805,008)</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

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, 2018, 2017, and 2016 are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Beginning accrued claims liability	\$ 61,306	\$ 197,492	\$ 313,168
Incurred claims, including IBNRs	1,389,043	-	-
Claims liability adjustments	-	(110,000)	(100,000)
Claims payments	(365,996)	(26,186)	(15,676)
	<u>\$ 1,084,353</u>	<u>\$ 61,306</u>	<u>\$ 197,492</u>

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, 2018, expenditures exceeded appropriations as follows:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund			
Support Services	\$ 24,810,000	\$ 24,994,673	\$ (184,673)
Capital Projects Fund			
Debt Service	1	221,206	(221,205)
Other Nonmajor Funds			
Grants Fund			
Debt Service	85,000	129,184	(44,184)

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2018

BUDGET COMPLIANCE (Continued)

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	\$ 16,946,223	\$ 170,391,347	\$ 1,130,810
Adjustments:			
Unrealized losses on investments	-	(2,047,127)	-
Inventory	63,746	-	26,951
GAAP basis ending fund balance	<u>\$ 17,009,969</u>	<u>\$ 168,344,220</u>	<u>\$ 1,157,761</u>

TAX ABATEMENTS

Tax abatements result from agreements between Clackamas County and others, which reduced the District’s levied property taxes. As of June 30, 2018, the District was not materially affected by tax abatement agreements.

NEW PRONOUNCEMENTS

For the fiscal year ended June 30, 2018, the District implemented the following new accounting standards:

GASB Statement No. 81 “*Irrevocable Split-Interest Agreements*” This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. It requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests.

GASB Statement No. 85 “*Omnibus 2017*.” This Statement addresses practice issues identified during implementation of other GASB Statements, including blending component units, goodwill, fair value measurement and application, and postemployment benefits.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

NEW PRONOUNCEMENTS (continued)

GASB Statement No. 86 “*Certain Debt Extinguishment Issues.*” This Statement addresses the accounting and financial reporting for in-substance defeasement of debt where existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt.

There was no significant financial impact as a result of implementation of the above statements.

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. 83 “*Certain Asset Retirement Obligations.*” This Statement establishes criteria for determining the timing and pattern or recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The statement is effective for fiscal years beginning after June 15, 2018.

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, 2018.

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 December 15, 2019.

GASB Statement No. 88 “*Certain Disclosures Relating to Debt.*” This statement requires that additional essential information related to debt be disclosed in notes to financial statements. The statement is effective for fiscal years beginning after June 15, 2018.

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 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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2018

COMMITMENTS AND CONTINGENCIES

In September 2017, the District reached a settlement with its Lake Oswego High School softball team to settle their Title IX lawsuit that had been filed against the District in 2015. Principal terms of the settlement were the payment of the plaintiffs' legal fees of \$262,500, commitments to install artificial turf at the softball field and construct an adjoining hitting barn with areas for concessions and announcing, and commitments to improve certain aspects of the girls' extra-curricular sports programs. The legal fees were recorded as an expenditure in the financial statements for the year ended June 30, 2017. The artificial turf field was completed in August 2018 at a total cost of approximately \$1.3 million and construction of the hitting barn is scheduled to be completed in March 2019.

The District has remaining commitments under various service contracts of approximately \$7.2 million at June 30, 2018. The contracts relate primarily to design and construction management services for various facility improvement projects that will be undertaken by the District over the course of the next several years. The District has remaining commitments under a construction contract of \$1.15 million at June 30, 2018.

The District has \$27 million in authorized but unissued general obligation bonded debts as approved by voters in May 2017. The District anticipates issuing that remaining debt in May 2020.

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. Accordingly, based upon counsel and management's opinion, the outcome of such matters is not expected to have a material adverse effect on the District's financial position or statement of activities

REQUIRED SUPPLEMENTARY INFORMATION

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LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR PERS**

JUNE 30, 2018

<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>
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%.

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
SCHEDULE OF CONTRIBUTIONS FOR PERS
JUNE 30, 2018

<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>
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%

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

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY FOR RHIA
JUNE 30, 2018**

<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 position as a percentage of the total OPEB liability</i>
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

**SCHEDULE OF CONTRIBUTIONS FOR RHIA
JUNE 30, 2018**

<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>
2018	\$ 185,096	\$ 185,096	\$ -	\$ 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

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

JUNE 30, 2018

Stipend Benefits

	<u>2018</u>	<u>2017</u>
Service cost	\$ 69,334	\$ 66,989
Interest on Total Pension Liability	68,297	104,020
Differences between expected and actual experience	95,825	(1,028,202)
Changes in assumptions or other inputs	(2,127)	22,822
Benefit payments - Stipends	<u>(275,152)</u>	<u>(145,505)</u>
Net changes	(43,823)	(979,876)
Total Pension Liability at beginning of the year	<u>1,998,465</u>	<u>2,978,341</u>
Total Pension Liability at end of the year	<u><u>\$ 1,954,642</u></u>	<u><u>\$ 1,998,465</u></u>
Estimated covered payroll	\$ 28,954,000	\$ 26,718,000
Total Pension Liability as a percentage of covered payroll	6.75%	7.48%
Discount rate	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

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

JUNE 30, 2018

Health Insurance

	<u>2018</u>	<u>2017</u>
Service cost	\$ 470,656	\$ 454,740
Interest on Total OPEB Liability	391,476	422,738
Differences between expected and actual experience	103,226	(944,510)
Changes in assumptions or other inputs	9,364	(85,678)
Benefit payments - Medical premiums	(552,684)	(497,385)
Benefit payments - Implicit subsidy	<u>(301,657)</u>	<u>(201,896)</u>
Net changes	120,381	(851,991)
Total OPEB Liability at beginning of the year	<u>11,305,961</u>	<u>12,157,952</u>
Total OPEB Liability at end of the year	<u>\$ 11,426,342</u>	<u>\$ 11,305,961</u>
Estimated covered payroll	\$ 39,227,000	\$ 35,982,000
Total OPEB Liability as a percentage of covered payroll	29.13%	31.42%
Discount rate	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 the supplementary information is available.

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources	\$ 45,629,350	\$ 45,040,000	\$ 45,040,000	\$ 589,350
Intermediate Sources	1,222,902	1,055,000	1,055,000	167,902
State Sources	31,495,217	27,765,000	27,765,000	3,730,217
Federal Sources	<u>7,230</u>	<u>30,000</u>	<u>30,000</u>	<u>(22,770)</u>
Total Revenues	<u>78,354,699</u>	<u>73,890,000</u>	<u>73,890,000</u>	<u>4,464,699</u>
EXPENDITURES:				
Instruction	45,331,231	48,170,000	47,320,000	1,988,769
Support Services	24,994,673	23,960,000	24,810,000	(184,673)
Facilities Acquisition and Construction	971,887	1	1,350,001	378,114
Debt Service	4,196,733	4,700,000	4,700,000	503,267
Operating Contingency	<u>-</u>	<u>2,000,000</u>	<u>650,000</u>	<u>650,000</u>
Total Expenditures	<u>75,494,524</u>	<u>78,830,001</u>	<u>78,830,001</u>	<u>3,335,477</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,860,175	(4,940,001)	(4,940,001)	7,800,176
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1	1	(1)
Transfers out	(48,128)	(225,000)	(225,000)	176,872
Sale of/Compensation for Loss of Capital Assets	<u>3,611</u>	<u>10,000</u>	<u>10,000</u>	<u>(6,389)</u>
Total Other Financing Sources (Uses)	<u>(44,517)</u>	<u>(214,999)</u>	<u>(214,999)</u>	<u>170,482</u>
NET CHANGE IN FUND BALANCE	2,815,658	(5,155,000)	(5,155,000)	7,970,658
FUND BALANCE, Beginning of year	<u>14,130,565</u>	<u>13,600,000</u>	<u>13,600,000</u>	<u>530,565</u>
FUND BALANCE, End of year	<u>\$ 16,946,223</u>	<u>\$ 8,445,000</u>	<u>\$ 8,445,000</u>	<u>\$ 8,501,223</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – COMMUNITY CONTRIBUTIONS FUND
YEAR ENDED JUNE 30, 2018**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources	<u>\$ 1,981,079</u>	<u>\$ 2,518,000</u>	<u>\$ 2,518,000</u>	<u>\$ (536,921)</u>
EXPENDITURES:				
Instruction	1,868,815	2,220,000	2,220,000	351,185
Support Services	51,024	165,000	165,000	113,976
Facilities Acquisition and Construction	-	78,000	78,000	78,000
Debt Service	<u>67,638</u>	<u>110,000</u>	<u>110,000</u>	<u>42,362</u>
Total Expenditures	<u>1,987,477</u>	<u>2,573,000</u>	<u>2,573,000</u>	<u>585,523</u>
Net Change in Fund Balance	<u>(6,398)</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>48,602</u>
FUND BALANCE, Beginning of year	<u>171,951</u>	<u>55,000</u>	<u>55,000</u>	<u>116,951</u>
FUND BALANCE, End of year	<u>\$ 165,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,553</u>

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OTHER SUPPLEMENTARY INFORMATION

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LAKE OSWEGO SCHOOL DISTRICT NO.7J**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Taxes-Current Levy	\$ 33,137,634	\$ 32,950,000	\$ 32,950,000	\$ 187,634
Taxes-Prior Levies	453,337	525,000	525,000	(71,663)
Local Option Taxes-Current Levy	9,998,483	9,750,000	9,750,000	248,483
Local Option Taxes-Prior Levy	175,789	200,000	200,000	(24,211)
Tuition	141,092	230,000	230,000	(88,908)
Earnings on Investments	608,572	150,000	150,000	458,572
Gate Receipts	41,193	60,000	60,000	(18,807)
Sports Participation Fees	502,895	575,000	575,000	(72,105)
Student Fees	64,821	60,000	60,000	4,821
Property Lease Fees	414,910	385,000	385,000	29,910
Miscellaneous Income	90,624	155,000	155,000	(64,376)
Total From Local Sources	<u>45,629,350</u>	<u>45,040,000</u>	<u>45,040,000</u>	<u>589,350</u>
Intermediate Sources:				
County School Fund	1,202	5,000	5,000	(3,798)
ESD Choice Fund	830,773	700,000	700,000	130,773
ESD Special Fund	390,927	350,000	350,000	40,927
Total From Intermediate Sources	<u>1,222,902</u>	<u>1,055,000</u>	<u>1,055,000</u>	<u>167,902</u>
State Sources:				
School Support Fund	30,839,146	26,900,000	26,900,000	3,939,146
Common School Fund	656,071	865,000	865,000	(208,929)
Total From State Sources	<u>31,495,217</u>	<u>27,765,000</u>	<u>27,765,000</u>	<u>3,730,217</u>
Federal Sources:				
Federal Forest Fees	7,230	30,000	30,000	(22,770)
Other Sources:				
Interfund Transfers	-	1	1	(1)
Sales/Compensation for Loss of Fixed Assets	3,611	10,000	10,000	(6,389)
Total From Other Sources	<u>3,611</u>	<u>10,001</u>	<u>10,001</u>	<u>(6,390)</u>
Total Revenues	<u>\$ 78,358,310</u>	<u>\$ 73,900,001</u>	<u>\$ 73,900,001</u>	<u>\$ 4,458,309</u>

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

YEAR ENDED JUNE 30, 2018

	SALARIES	EMPLOYEE BENEFITS	PURCHASED SERVICES	SUPPLIES & MATERIALS
EXPENDITURES:				
Instruction:				
Regular Programs:				
Primary, K-5	\$ 9,405,049	\$ 4,728,696	\$ 62,100	\$ 217,145
Jr. High Programs	4,653,351	2,224,245	37,903	146,331
Jr. High School Extra-curricular	119,897	30,545	15,910	9,851
High School Programs	7,157,585	3,497,730	87,938	243,022
High School Extra-curricular	1,363,150	323,518	119,380	49,684
Special Programs:				
Talented and Gifted	313,950	159,559	525	12,866
More Restrictive Special Programs	2,940,726	1,582,007	1,290,559	34,451
Less Restrictive Special Programs	2,096,052	1,150,868	15,948	5,555
Alternative Education	363,363	161,254	164,749	1,659
English Language Learner	343,142	139,105	8,019	10,723
Total Instruction	28,756,265	13,997,527	1,803,031	731,287
Support Services:				
Students:				
Student Safety Services	-	-	-	76,555
Guidance Services	1,334,123	687,115	1,790	1,959
Health Services	147,762	46,901	91,365	10,790
Psychological Services	326,108	143,070	1,525	10,951
Speech Pathology and Audiology	443,188	189,784	4,937	4,550
Service Direction, Student Support	193,214	71,245	39,334	5,461
Instructional Staff:				
Improvement of Instruction	609,857	457,301	421,181	122,288
Educational Media	452,400	299,708	9,022	45,231
Assessment and Testing	8,099	1,352	-	-
General Administration:				
Board of Education	-	-	149,951	1,804
Executive Administration	741,081	296,824	17,369	13,148
School Administration - Office of the Principal	2,689,473	1,329,468	39,836	54,415
Business:				
Fiscal Services	408,655	217,320	24,978	5,734
Operation & Maintenance of Plant	1,803,610	964,491	2,514,604	374,716
Student Transportation	-	-	3,960,748	4,268
Central Activities:				
Information	124,284	46,428	57,581	10,981
Staff	219,494	128,403	86,635	8,531
Technology	311,143	124,340	162,968	129,698
Supplemental Retirement Program	238,654	552,684	-	-
Total Support Services	10,051,145	5,556,434	7,583,824	881,080
Facilities Acquisition and Construction				
Facilities Acquisitions/Improvements	-	-	160,450	-

CAPITAL OUTLAY	OTHER OBJECTS	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
\$ -	\$ -	\$ 14,412,990	\$ 15,717,941	\$ 15,467,941	\$ 1,054,951
-	-	7,061,830	7,504,255	7,504,255	442,425
-	328	176,531	268,868	268,868	92,337
-	-	10,986,275	11,924,122	11,324,122	337,847
6,695	36,098	1,898,525	1,506,615	1,506,615	(391,910)
-	-	486,900	352,609	352,609	(134,291)
-	-	5,847,743	6,382,490	6,382,490	534,747
-	-	3,268,423	3,595,861	3,595,861	327,438
-	-	691,025	600,454	600,454	(90,571)
-	-	500,989	316,785	316,785	(184,204)
6,695	36,426	45,331,231	48,170,000	47,320,000	1,988,769
-	-	76,555	100,000	100,000	23,445
-	1,073	2,026,060	2,056,518	2,056,518	30,458
-	-	296,818	124,342	124,342	(172,476)
-	-	481,654	487,191	487,191	5,537
-	-	642,459	627,845	627,845	(14,614)
-	-	309,254	278,271	278,271	(30,983)
-	428	1,611,055	1,350,418	1,350,418	(260,637)
-	-	806,361	831,297	831,297	24,936
-	-	9,451	21,392	21,392	11,941
-	11,753	163,508	217,500	217,500	53,992
-	22,206	1,090,628	1,031,614	1,031,614	(59,014)
-	2,828	4,116,020	3,826,771	3,826,771	(289,249)
-	30,243	686,930	642,519	642,519	(44,411)
478,718	374,087	6,510,226	6,543,550	7,043,550	533,324
-	-	3,965,016	3,484,500	3,834,500	(130,516)
-	85	239,359	189,137	189,137	(50,222)
-	469	443,532	447,864	447,864	4,332
-	300	728,449	829,271	829,271	100,822
-	-	791,338	870,000	870,000	78,662
478,718	443,472	24,994,673	23,960,000	24,810,000	(184,673)
809,478	1,959	971,887	1	1,350,001	378,114

LAKE OSWEGO SCHOOL DISTRICT NO.7J

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

YEAR ENDED JUNE 30, 2018

EXPENDITURES (Cont.):	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
Debt Service	\$ -	\$ -	\$ -	\$ -
Operating Contingency	-	-	-	-
Total Expenditures	<u>\$ 38,807,410</u>	<u>\$ 19,553,961</u>	<u>\$ 9,547,305</u>	<u>\$ 1,612,367</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>
\$ -	\$ 4,196,733	\$ 4,196,733	\$ 4,700,000	\$ 4,700,000	\$ 503,267
-		-	2,000,000	650,000	650,000
<u>\$ 1,294,891</u>	<u>\$ 4,678,590</u>	<u>75,494,524</u>	<u>78,830,001</u>	<u>78,830,001</u>	<u>2,957,363</u>
		2,863,786	(4,930,000)	(4,930,000)	7,793,786
		(48,128)	(225,000)	(225,000)	176,872
		2,815,658	(5,155,000)	(5,155,000)	7,970,658
		<u>14,130,565</u>	<u>13,600,000</u>	<u>13,600,000</u>	<u>530,565</u>
		<u>\$ 16,946,223</u>	<u>\$ 8,445,000</u>	<u>\$ 8,445,000</u>	<u>\$ 8,501,223</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) – COMMUNITY CONTRIBUTIONS FUND
YEAR ENDED JUNE 30, 2018**

REVENUES:

Local Sources:

Foundation Contributions

Other Contributions and Donations

Total Revenues

Detail by Object

	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
EXPENDITURES:				
Instruction:				
Regular Programs:				
Primary K-5	\$ 512,472	\$ 268,701	\$ -	\$ 101,291
Jr. High Programs	159,016	94,297	-	82,755
High School Programs	198,811	79,065	-	115,765
High School Extra-curricular	-	-	-	1,048
Other Special Programs	-	-	-	(1,622)
Total Instruction	<u>870,299</u>	<u>442,063</u>	<u>-</u>	<u>299,237</u>
Support Services:				
Improvement of Instruction	-	-	2,092	-
Instructional Media Services	-	-	-	27,971
School Administration - Office of the Principal	-	-	16,016	2,468
Business:				
Operation and Maintenance	-	-	2,331	146
Total Support Services	<u>-</u>	<u>-</u>	<u>20,439</u>	<u>30,585</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>\$ 870,299</u>	<u>\$ 442,063</u>	<u>\$ 20,439</u>	<u>\$ 329,822</u>

Net Change in Fund Balance

Beginning Fund Balance

Ending Fund Balance

		<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
		\$ 1,380,000	\$ 2,000,000	\$ 2,000,000	\$ (620,000)
		601,079	518,000	518,000	83,079
		<u>1,981,079</u>	<u>2,518,000</u>	<u>2,518,000</u>	<u>(536,921)</u>
<u>Detail by Object</u>					
<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>				
\$ -	\$ -	882,464	1,093,000	1,093,000	210,536
-	-	336,068	432,000	432,000	95,932
-	-	393,641	681,000	681,000	287,359
257,216	-	258,264	6,000	6,000	(252,264)
-	-	(1,622)	8,000	8,000	9,622
<u>257,216</u>	<u>-</u>	<u>1,868,815</u>	<u>2,220,000</u>	<u>2,220,000</u>	<u>351,185</u>
-	-	2,092	20,000	20,000	17,908
-	-	27,971	45,000	45,000	17,029
-	-	18,484	20,000	20,000	1,516
<u>-</u>	<u>-</u>	<u>2,477</u>	<u>80,000</u>	<u>80,000</u>	<u>77,523</u>
<u>-</u>	<u>-</u>	<u>51,024</u>	<u>165,000</u>	<u>165,000</u>	<u>113,976</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>78,000</u>	<u>78,000</u>	<u>78,000</u>
<u>-</u>	<u>67,638</u>	<u>67,638</u>	<u>110,000</u>	<u>110,000</u>	<u>42,362</u>
<u>\$ 257,216</u>	<u>\$ 67,638</u>	<u>1,987,477</u>	<u>2,573,000</u>	<u>2,573,000</u>	<u>585,523</u>
		(6,398)	(55,000)	(55,000)	48,602
		<u>171,951</u>	<u>55,000</u>	<u>55,000</u>	<u>116,951</u>
		<u>\$ 165,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,553</u>

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LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2018**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Taxes-Current Levy	\$ 15,505,114	\$ 16,550,000	\$ 15,450,000	\$ 55,114
Taxes-Prior Levies	104,670	135,000	135,000	(30,330)
Earnings on Investments	<u>162,572</u>	<u>65,000</u>	<u>65,000</u>	<u>97,572</u>
Total Revenues	<u>15,772,356</u>	<u>16,750,000</u>	<u>15,650,000</u>	<u>122,356</u>
EXPENDITURES:				
Debt Service:				
Redemption of Principal	7,545,000	10,610,000	7,545,000	-
Interest	<u>7,933,433</u>	<u>5,984,000</u>	<u>7,934,000</u>	<u>567</u>
Total Expenditures	<u>15,478,433</u>	<u>16,594,000</u>	<u>15,479,000</u>	<u>567</u>
Net Change in Fund Balance	293,923	156,000	171,000	122,923
Beginning Fund Balance	<u>(29,702)</u>	-	-	<u>(29,702)</u>
Ending Fund Balance	<u>\$ 264,221</u>	<u>\$ 156,000</u>	<u>\$ 171,000</u>	<u>\$ 93,221</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2018**

REVENUES:

From Local Sources:

Construction Excise Tax
Interest Income
Contributions and Donations
Lease Revenue
Miscellaneous

From Intermediate Sources:

SB 1149 Energy Program

Total Revenues

Detail by Object

	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
EXPENDITURES:				
Instruction	\$ -	\$ -	\$ -	\$ 611,157
Support Services	-	-	62,988	378,600
Facilities Acquisition and Service Direction	396,006	130,796	1,979,669	248,006
Debt Service	-	-	184,750	-
Operating Contingency	-	-	-	-
Total Expenditures	<u>\$ 396,006</u>	<u>\$ 130,796</u>	<u>\$ 2,227,407</u>	<u>\$ 626,606</u>

Excess of Expenditures Over Revenues

Other Financing Sources and (Uses):

Proceeds from Issuance of Long-term Debt
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
\$	479,097	\$ 450,000	\$ 450,000	\$ 29,097
	2,038,840	1,900,000	1,900,000	138,840
	-	150,000	150,000	(150,000)
	28,387	-	-	28,387
	671,952	-	-	671,952
	-	125,000	125,000	(125,000)
	3,218,276	2,625,000	2,625,000	593,276

Detail by Object

	CAPITAL OUTLAY	OTHER OBJECTS				
\$	147,331	\$ -	758,488	50,000	900,000	141,512
	400,399	-	841,987	50,000	850,000	8,013
	5,197,037	3,094	7,954,608	21,900,000	20,450,000	12,495,392
	-	36,456	221,206	1	1	(221,205)
	-	-	-	2,000,000	1,800,000	1,800,000
\$	5,597,436	\$ 39,550	9,776,289	24,000,001	24,000,001	14,223,712
			(6,558,013)	(21,375,001)	(21,375,001)	14,816,988
			177,594,448	187,000,000	187,000,000	(9,405,552)
			-	(1)	(1)	1
			177,594,448	186,999,999	186,999,999	(9,405,551)
			171,036,435	165,624,998	165,624,998	5,411,437
			(645,088)	1,500,002	1,500,002	(2,145,090)
\$	170,391,347	\$ 167,125,000	\$ 167,125,000	\$ 167,125,000	\$ 3,266,347	

LAKE OSWEGO SCHOOL DISTRICT NO.7J
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GRANTS FUND	COMMUNITY SERVICES FUND	STUDENT ACTIVITY FUND	FOOD SERVICE FUND	
ASSETS:					
Cash and Investments	\$ 500	\$ 500	\$ 918,990	\$ 150	\$ 920,140
Interfund Receivables	1,497	223,503	-	313,919	538,919
Accounts Receivable	-	-	-	21,098	21,098
Grants Receivable	1,356,355	-	-	-	1,356,355
Inventory of Supplies	-	-	-	26,951	26,951
Total Assets	\$ 1,358,352	\$ 224,003	\$ 918,990	\$ 362,118	\$ 2,863,463
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payables	\$ 1,331,782	\$ -	\$ -	\$ -	\$ 1,331,782
Accounts Payable	26,570	31,636	-	4,634	62,840
Unearned Revenue	-	192,367	-	118,713	311,080
Total Liabilities	1,358,352	224,003	-	123,347	1,705,702
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	26,951	26,951
Committed to:					
Community Support	-	-	-	211,820	211,820
Student Activities	-	-	918,990	-	918,990
Total Fund Balances	-	-	918,990	238,771	1,157,761
Total Liabilities and Fund Balances	\$ 1,358,352	\$ 224,003	\$ 918,990	\$ 362,118	\$ 2,863,463

LAKE OSWEGO SCHOOL DISTRICT NO.7J**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2018**

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GRANTS FUND	COMMUNITY SERVICES FUND	STUDENT ACTIVITY FUND	FOOD SERVICE FUND	
REVENUES:					
Local Sources:	\$ -	\$ 2,909,624	\$ 3,037,085	\$ 1,372,356	\$ 7,319,065
Intermediate Sources	129,600	-	-	-	129,600
State Sources	652,046	-	-	25,078	677,124
Federal Sources	1,669,435	-	-	378,773	2,048,208
Total Revenues	2,451,081	2,909,624	3,037,085	1,776,207	10,173,997
EXPENDITURES:					
Current:					
Instruction	1,442,528	-	2,974,511	-	4,417,039
Support Services	871,734	-	-	-	871,734
Enterprise and Community Services	-	2,901,296	-	1,635,306	4,536,602
Capital Outlay	10,000	-	-	-	10,000
Debt Service	129,184	51,843	-	42,429	223,456
Total Expenditures	2,453,446	2,953,139	2,974,511	1,677,735	10,058,831
Excess (Deficiency) of Revenues Over Expenditures	(2,365)	(43,515)	62,574	98,472	115,166
Other Financing Sources:					
Transfer In	2,365	43,515	-	2,248	48,128
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	-	-	62,574	100,720	163,294
Increase (Decrease) in Inventories	-	-	-	48	48
Net Change in Fund Balance	-	-	62,574	100,768	163,342
Beginning Fund Balance	-	-	856,416	138,003	994,419
Ending Fund Balance	\$ -	\$ -	\$ 918,990	\$ 238,771	\$ 1,157,761

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GRANTS FUND
YEAR ENDED JUNE 30, 2018**

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	\$ 101,183	\$ 45,273	\$ -	\$ -
High School Instruction	311,766	128,195	-	14,919
Special Programs:				
Less Restrictive Programs	240,986	154,799	-	-
Title I Programs	256,472	145,347	8,249	6,018
Total Instruction	<u>910,407</u>	<u>473,614</u>	<u>8,249</u>	<u>20,937</u>
Support Services:				
Students:				
Health Services	78,785	23,393	-	-
Psychological Services	99,409	51,476	-	-
Service Direction, Student Support	323,003	154,046	14,561	-
Instructional Staff:				
Improvement of Instruction	42,079	9,587	63,571	11,824
Student Assessment	-	-	-	-
Indirect Costs	-	-	-	-
Total Support Services	<u>543,276</u>	<u>238,502</u>	<u>78,132</u>	<u>11,824</u>
Debt Service - Interest	-	-	-	-
Total Expenditures	<u>\$ 1,453,683</u>	<u>\$ 712,116</u>	<u>\$ 86,381</u>	<u>\$ 32,761</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
		\$ -	\$ 4,000	\$ 4,000	\$ (4,000)
		129,600	196,000	196,000	(66,400)
		652,046	1,030,000	1,030,000	(377,954)
		<u>1,669,435</u>	<u>1,821,000</u>	<u>1,821,000</u>	<u>(151,565)</u>
		<u>2,451,081</u>	<u>3,051,000</u>	<u>3,051,000</u>	<u>(599,919)</u>
Detail by Object					
CAPITAL OUTLAY	OTHER OBJECTS				
\$ -	\$ -	146,456	-	-	(146,456)
10,000	29,321	494,201	1,000,000	1,000,000	505,799
-	-	395,785	595,000	595,000	199,215
-	-	416,086	375,000	375,000	(41,086)
<u>10,000</u>	<u>29,321</u>	<u>1,452,528</u>	<u>1,970,000</u>	<u>1,970,000</u>	<u>517,472</u>
-	-	102,178	-	-	(102,178)
-	-	150,885	-	-	(150,885)
-	-	491,610	691,000	691,000	199,390
-	-	127,061	250,000	250,000	122,939
-	-	-	12,500	12,500	12,500
-	-	-	42,500	42,500	42,500
-	-	<u>871,734</u>	<u>996,000</u>	<u>996,000</u>	<u>124,266</u>
-	129,184	<u>129,184</u>	<u>85,000</u>	<u>85,000</u>	<u>(44,184)</u>
<u>\$ 10,000</u>	<u>\$ 158,505</u>	<u>2,453,446</u>	<u>3,051,000</u>	<u>3,051,000</u>	<u>597,554</u>
		(2,365)	-	-	(2,365)
		<u>2,365</u>	<u>-</u>	<u>-</u>	<u>2,365</u>
		-	-	-	-
		-	-	-	-
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) - COMMUNITY SERVICES FUND
YEAR ENDED JUNE 30, 2018**

REVENUES:	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
Local Sources, Community Service Activities:				
Extra-Curricular Activities	\$ 212	\$ -	\$ -	\$ 212
Community Services Tuition	1,456,611	1,371,000	1,371,000	85,611
Extended Child Care Fees	1,068,920	1,260,000	1,260,000	(191,080)
Driver's Ed. Fees	101,307	90,000	90,000	11,307
Pool Fees	145,606	150,000	150,000	(4,394)
Rent From School Facility	136,968	110,000	110,000	26,968
Miscellaneous	-	10,000	10,000	(10,000)
Total Revenues	2,909,624	2,991,000	2,991,000	(81,376)
EXPENDITURES:				
Enterprise and Community Services				
Other Enterprise:				
Community Recreation:				
Salaries	722,554	690,000	690,000	(32,554)
Employee Benefits	178,297	150,000	150,000	(28,297)
Purchased Services	372,253	350,000	350,000	(22,253)
Supplies & Materials	321,781	345,000	345,000	23,219
Capital Outlay	-	5,000	5,000	5,000
Other Objects	7,295	10,000	10,000	2,705
Swim Pool:				
Salaries	96,005	130,000	130,000	33,995
Employee Benefits	32,513	35,000	35,000	2,487
Purchased Services	79,434	160,000	160,000	80,566
Supplies & Materials	29,260	20,000	20,000	(9,260)
Capital Outlay	-	25,000	25,000	25,000
Other Objects	632	1,000	1,000	368
Custody and Care of Children:				
Salaries	678,635	640,000	640,000	(38,635)
Employee Benefits	276,884	385,000	385,000	108,116
Purchased Services	50,727	40,000	40,000	(10,727)
Supplies & Materials	55,026	80,000	80,000	24,974
Capital Outlay	-	5,000	5,000	5,000
Total Enterprise and Community Services	2,901,296	3,071,000	3,071,000	169,704
Debt Service	51,843	70,000	70,000	18,157
Total Expenditures	2,953,139	3,141,000	3,141,000	187,861
Excess (Deficiency) of Revenues Over Expenditures	(43,515)	(150,000)	(150,000)	106,485
Other Financing Sources:				
Transfers In	43,515	150,000	150,000	(106,485)
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) - STUDENT ACTIVITY FUND
YEAR ENDED JUNE 30, 2018**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Community Services Activities	\$ 3,037,085	\$ 3,150,000	\$ 3,150,000	\$ (112,915)
EXPENDITURES:				
Instruction:				
Regular Programs:				
Elementary-Extra-curricular:				
Supplies & Materials	98,867	175,000	175,000	76,133
Jr. High-Extra-curricular:				
Supplies & Materials	320,487	550,000	550,000	229,513
High School Extra-curricular:				
Supplies & Materials	<u>2,555,157</u>	<u>2,625,000</u>	<u>2,625,000</u>	<u>69,843</u>
Total Instruction	<u>2,974,511</u>	<u>3,350,000</u>	<u>3,350,000</u>	<u>375,489</u>
Net Change in Fund Balance	62,574	(200,000)	(200,000)	262,574
Beginning Fund Balance	<u>856,416</u>	<u>1,250,000</u>	<u>1,250,000</u>	<u>(393,584)</u>
Ending Fund Balance	<u>\$ 918,990</u>	<u>\$ 1,050,000</u>	<u>\$ 1,050,000</u>	<u>\$ (131,010)</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) - FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2018**

REVENUES:	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
Local Sources - Food Service:				
Food Service Sales	\$ 1,329,289	\$ 1,260,000	\$ 1,260,000	\$ 69,289
Banquets & Miscellaneous	43,067	50,000	50,000	(6,933)
Total Local Sources - Food Service	1,372,356	1,310,000	1,310,000	62,356
State Sources:				
State Grants in Aid	25,078	20,000	20,000	5,078
Federal Sources:				
National School Lunch Reimbursement	280,362	340,000	340,000	(59,638)
USDA Commodities	98,411	75,000	75,000	23,411
Total Federal Sources	378,773	415,000	415,000	(36,227)
Total Revenues	1,776,207	1,745,000	1,745,000	31,207
EXPENDITURES:				
Enterprise and Community Services:				
Food Services:				
Salaries	525,434	540,000	540,000	14,566
Employee Benefits	270,468	270,000	270,000	(468)
Purchased Services	32,012	35,000	35,000	2,988
Supplies & Materials	801,608	915,000	915,000	113,392
Capital Outlay	-	10,000	10,000	10,000
Other Objects	5,784	5,000	5,000	(784)
Total Enterprise and Community Services	1,635,306	1,775,000	1,775,000	139,694
Debt Service - Other Objects	42,429	60,000	60,000	17,571
Total Expenditures	1,677,735	1,835,000	1,835,000	157,265
Excess (Deficiency) of Revenues Over Expenditures	98,472	(90,000)	(90,000)	188,472
Other Financing Sources:				
Transfer In	2,248	75,000	75,000	(72,752)
Net Change in Fund Balance	100,720	(15,000)	(15,000)	115,720
Beginning Fund Balance	111,100	65,000	65,000	46,100
Ending Fund Balance	\$ 211,820	\$ 50,000	\$ 50,000	\$ 161,820

OTHER FINANCIAL SCHEDULES

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LAKE OSWEGO SCHOOL DISTRICT NO.7J
DEPARTMENT OF EDUCATION SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2018

A. Energy Bill for 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	\$ 1,670,821
	Function 2550	-

B. Replacement of Equipment - General Fund: Include all General Fund expenditures in object 542, except for the following exclusions: Exclude these functions:			\$ 388,258
	1113, 1122 & 1132	Exclude these functions:	
1140	Co-curricular Activities	4150	Construction
1300	Pre-Kindergarten	2550	Pupil Transportation
1400	Continuing Education	3100	Food Service
	Summer School	3300	Community Services

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF FOUNDATION RECEIPTS, DEFERRED REVENUES, REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2018**

Foundation deferred revenues as of June 30, 2017		\$	1,200,000
(Amounts received from Foundation in prior fiscal year for current fiscal year)			
Foundation donations to District for the fiscal year ended June 30, 2018:			
Total foundation donations received by District during the current fiscal year	<u>\$ 1,095,000</u>		
Allocation of donations to fiscal year:			
Donations received for current fiscal year	\$ -		180,000
Donations received in current fiscal year for the next fiscal year	<u>915,000</u>		<u>-</u>
Foundation Revenues recognized for fiscal year ended June 30, 2018			1,380,000
Foundation deferred revenues as of June 30, 2018	<u>\$ 915,000</u>		
Expenditure of Foundation donations within the Community Contributions Fund:			
Teacher Salaries			870,299
Employee Benefits			442,063
Allocated PERS Debt Service Costs			<u>67,638</u>
Total Foundation expenditures			<u>1,380,000</u>
Excess of revenues over, (under) expenditures		\$	<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.

COMPLIANCE SECTION

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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

***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
2455 Country Club Road
Lake Oswego, Oregon 97034

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 6, 2019.

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) 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.

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 over financial reporting 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
February 6, 2019



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

**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
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, 2018. 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, 2018.

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
February 6, 2019

LAKE OSWEGO SCHOOL DISTRICT NO.7J
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

<u>Source/Grant Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION:			
Passed Through State Department of Education:			
Title IA	84.010	41092	\$ 15,937
Title IA	84.010	45627	<u>420,456</u>
Subtotal Title I Grants to Local Educational Agencies			<u>436,393</u>
IDEA Part B, Section 611	84.027	41547	131,461
IDEA Part B, Section 611	84.027	45203	925,459
IDEA Enhancement	84.027	46468	7,957
IDEA Extended Assessment	84.027	45054	549
IDEA SPR & I	84.027	44421	<u>4,678</u>
Subtotal Special Education Grants to States			<u>1,070,104</u>
IDEA Part B, Section 619	84.173	45428	4,715
IDEA Part B, Section 619	84.173	40623	<u>2,549</u>
Subtotal Special Education Preschool Grants			<u>7,264</u>
Subtotal Special Education Cluster (IDEA)			<u>1,077,368</u>
Supporting Effective Instruction State Grants	84.367	41347	29,754
Supporting Effective Instruction State Grants	84.367	45843	<u>101,000</u>
Subtotal Supporting Effective Instruction State Grants			<u>130,754</u>
Passed Through Clackamas Education Service District:			
Perkins Basic	84.048	44281	<u>24,920</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,669,435</u>
U.S. DEPARTMENT OF AGRICULTURE:			
Passed Through State Department of Education:			
School Breakfast Program	10.553	N/A	25,293
National School Lunch Program	10.555	N/A	255,069
National School Lunch Program - Commodities	10.555	N/A	<u>98,411</u>
Subtotal Child Nutrition Cluster			<u>378,773</u>
Passed Through Clackamas County:			
Schools and Roads - Grants to State	10.665	N/A	<u>7,230</u>
Subtotal Forest Service Schools and Roads Cluster			<u>7,230</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>386,003</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 2,055,438</u>

See notes to schedule of expenditures of federal awards

LAKE OSWEGO SCHOOL DISTRICT NO.7J
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

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, 2018. 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 and OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, where applicable, 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, 2018.

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

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

Identification of major federal program(s):

CFDA Number(s)

Name of Federal Program or Cluster

84.010

Title I Grants to Local Educational Agencies

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
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

School Board
Lake Oswego School District No. 7J
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 Lake Oswego School District No. 7J, Clackamas County, Oregon (the District) as of and for the year ended June 30, 2018, and have issued our report thereon dated February 6, 2019.

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 expenditures in excess of appropriations as disclosed in the notes to the financial statements.

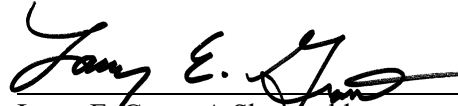
Internal Control

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
February 6, 2019

STATISTICAL SECTION

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LAKE OSWEGO SCHOOL DISTRICT NO.7J
BALANCE SHEETS - GENERAL FUND
LAST FIVE FISCAL YEARS

	As of June 30,				
	2014	2015	2016	2017	2018
ASSETS:					
Cash	\$ 12,192,925	\$ 13,858,303	\$ 17,906,664	\$ 20,288,257	\$ 26,830,306
Receivables:					
Taxes	2,140,226	2,164,181	2,443,337	2,589,420	2,813,572
Accounts	505,966	442,622	505,060	507,464	367,268
Interfund Loan Receivable	-	-	-	-	3,359,428
Prepays	42,820	35,097	86,573	58,487	53,872
Inventory of Supplies	73,192	68,990	60,822	72,046	63,746
Total Assets	\$ 14,955,129	\$ 16,569,193	\$ 21,002,456	\$ 23,515,674	\$ 33,488,192
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Interfund Payables	\$ 63,844	\$ 673,671	\$ 577,058	\$ 1,436,761	\$ 4,917,028
Intergovernmental Payable	196,297	246,678	289,546	335,772	403,516
Accrued Payroll and Benefits Payable	6,593,033	5,927,437	6,599,369	4,026,887	5,095,704
Accounts Payable	618,409	697,909	493,884	1,201,275	1,836,090
Unearned Revenue	73,636	10,510	9,680	7,747	7,797
Matured Bond and Coupons Payable	-	-	-	-	1,688,860
Total Liabilities	7,545,219	7,556,205	7,969,537	7,008,442	13,948,995
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue-Taxes	1,730,319	1,855,449	2,205,975	2,304,621	2,529,228
FUND BALANCES:					
Nonspendable Prepays	42,820	35,097	86,573	58,487	53,872
Nonspendable Inventory	73,192	68,990	60,822	72,046	63,746
Unassigned	5,563,579	7,053,452	10,679,549	14,072,078	16,892,351
Total Fund Balances	5,679,591	7,157,539	10,826,944	14,202,611	17,009,969
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,955,129	\$ 16,569,193	\$ 21,002,456	\$ 23,515,674	\$ 33,488,192

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

	For the Year Ended June 30,				
	2014	2015	2016	2017	2018
REVENUES:					
Local Sources:					
Taxes	\$ 34,483,139	\$ 37,231,275	\$ 39,756,068	\$ 42,006,438	\$ 43,765,243
Earnings on Investments	107,947	95,902	127,659	285,585	608,572
Other Local Sources	1,858,774	1,852,714	1,562,665	1,449,354	1,255,535
Intermediate Sources	342,860	525,574	1,044,943	1,142,922	1,222,902
State Sources	22,889,505	24,461,183	26,932,511	28,059,435	31,495,217
Federal Sources	34,390	34,241	38,716	13,095	7,230
Total Revenues	59,716,615	64,200,889	69,462,562	72,956,829	78,354,699
EXPENDITURES:					
Current:					
Instruction	35,910,750	38,361,592	40,775,418	43,128,631	45,324,536
Support Services	19,786,751	20,678,010	21,506,766	22,243,134	24,515,955
Capital Outlay	76,010	287,781	24,518	446,715	1,457,300
Debt Service:					
Principal	989,042	3,118,752	1,040,234	1,056,845	1,430,951
Interest	2,055,373	2,225,581	2,391,729	2,587,955	2,765,782
Total Expenditures	58,817,926	64,671,716	65,738,665	69,463,280	75,494,524
Excess (Deficiency) of Revenues Over Expenditures	898,689	(470,827)	3,723,897	3,493,549	2,860,175
OTHER FINANCING SOURCES (USES):					
Proceeds From Refunding of Long- Term Debt	-	2,137,209	-	-	-
Compensation for Loss of Capital Assets	7,875	2,375	-	-	3,611
Transfers Out	(27,747)	(186,607)	(46,324)	(129,106)	(48,128)
Total Other Financing Sources (Uses)	(19,872)	1,952,977	(46,324)	(129,106)	(44,517)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	878,817	1,482,150	3,677,573	3,364,443	2,815,658
Increase (Decrease) in Inventories	(16,728)	(4,202)	(8,168)	11,224	(8,300)
Net Change in Fund Balance	862,089	1,477,948	3,669,405	3,375,667	2,807,358
FUND BALANCE, Beginning of Year	4,817,502	5,679,591	7,157,539	10,826,944	14,202,611
FUND BALANCE, End of Year	\$ 5,679,591	\$ 7,157,539	\$ 10,826,944	\$ 14,202,611	\$ 17,009,969