

***LAKE OSWEGO SCHOOL
DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015***

Prepared by:
Business Services Department
* * * * *

Stuart Ketzler
Director of Finance

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
JUNE 30, 2015

BOARD OF DIRECTORS

<u><i>Name</i></u>	<u><i>Title</i></u>	<u><i>Term Expires</i></u>
Liz Hartman	Chair	June 30, 2017
Sarah Howell	Member	June 30, 2017
John Wendland	Member	June 30, 2017
Patti Zebrowski	Member	June 30, 2015
Bob Barman	Member	June 30, 2015

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. Heather Beck, Superintendent

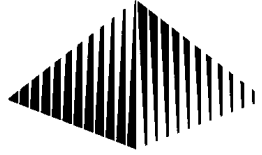
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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT

School Board
Lake Oswego School District
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, 2015, 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, 2015, 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.

Change in Accounting Principle

As discussed in the notes to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, “*Accounting and Reporting for Pension Plans – an amendment of GASB Statement No. 27*” and GASB Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date*”. The net position at July 1, 2014 was restated to reflect the change. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), schedule of the proportionate share of the net pension liability for PERS, the schedule of contributions for PERS, and the schedule of funding progress for other postemployment benefits be presented to supplement the basic financial statements and the budgetary comparison information. 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 MD&A, schedule of the proportionate share of the net pension liability for PERS, the schedule of contributions for PERS, and the schedule of funding progress for other postemployment benefits in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information 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 budgetary comparison 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 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The 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 December 31, 2015 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 December 31, 2015, 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
December 31, 2015

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, 2015.

New Accounting Standards Implemented

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB No. 68) and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASBS No. 68* (GASBS No. 71) in fiscal year 2015. GASBS No. 68 establishes new accounting and financial reporting requirements related to pensions provided by governments, while GASBS No. 71 establishes guidance for pension contributions made after the measurement date of the net pension liability or asset. The objective is to reflect the status of pensions on the governmental financial statements. The implementation of GASBS No. 68 resulted in the reduction of the District's fiscal year 2015 beginning net position by \$33.9 million.

Financial Highlights

- The assets and deferred outflows of resources of Lake Oswego School District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$6.68 million at June 30, 2015. Of this amount, \$42,160,791 is invested in capital assets, net of related debt, \$462,913 is restricted to the payment of the District's general obligation bonded debt, and the remainder, (\$35,939,932), is unrestricted. The negative unrestricted portion of net position is due primarily to the implementation of GASBS No. 68 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 \$12,240,708 from the prior year's restated balance, due primarily to a significant decrease in the District's net pension liability and an increase in local property tax revenues and state resources.
- At June 30, 2015 the District's governmental funds reported combined ending fund balances of \$10,285,641. \$1,414,791 of this fund balance is restricted for capital projects and \$127,383 was restricted for debt service and therefore not available to meet the general obligations of the District.
- At June 30, 2015, the General Fund had an unassigned fund balance of \$7,053,452, an increase of \$1,489,873 from the prior year's unassigned fund balance of \$5,563,579. 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, facilities acquisition, community services, 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 essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term* inflows and outflows of 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 non-major 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 - 46 of this report.

The **Combining Statements** referred to earlier in connection with non-major 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 exceeded liabilities by \$6,683,772 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>2015</u>	<u>2014</u>
Assets		
Current and Other Assets	\$ 20,413,502	\$ 20,239,813
Net Prepaid Pension Obligations	-	21,824,561
Pension Asset	6,730,334	-
Net Capital Assets	<u>109,071,741</u>	<u>111,670,761</u>
Total Assets	<u>136,215,577</u>	<u>153,735,135</u>
Deferred Outflows of Resources	<u>3,230,011</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>139,445,588</u>	<u>153,735,135</u>
Liabilities		
Other Liabilities	8,688,074	9,622,096
Long-Term Liabilities	<u>111,086,923</u>	<u>115,730,981</u>
Total Liabilities	<u>119,774,997</u>	<u>125,353,077</u>
Deferred Inflows of Resources	<u>12,986,819</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>132,761,816</u>	<u>125,353,077</u>
Net Position		
Net Investment in Capital Assets	42,160,791	41,058,422
Restricted	462,913	583,904
Unrestricted	<u>(35,939,932)</u>	<u>(13,260,268)</u>
Total Net Position as originally stated	<u>\$ 6,683,772</u>	<u>\$ 28,382,058</u>

Current and other assets increased due to an improvement in local property taxes and state funding as more fully explained in the Revenues discussion on page 7. The net pension liability decreased due to legislative reforms enacted in 2013 and pension plan results through June 30, 2014 under GASBS No. 68. These assets or deferred outflows or inflows represent the District's estimated portion of the state PERS pension obligations recorded in the District's PERS statement of net position as more fully discussed in the footnotes beginning on page 34. Net capital assets have decreased due to the normal depreciation of depreciable capital assets.

The District's other liabilities have decreased due primarily to decreases in its accrued payroll and benefits payable. Long-term debt obligations have decreased due to normal annual principal payments.

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, after accounting for the restatement of beginning net position due to the implementation of GASBS No. 68, the District's net position increased by \$12,240,708 during the current fiscal year, due primarily to a significant reduction in the District's portion of the PERS Pension Liability and increased property tax revenues and state revenue sharing.

At the end of the current fiscal year, the District's net position - unrestricted shows a deficit balance of \$35,939,932. 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 required under GASBS No. 68. 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 ending June 30, 2015 and 2014.

Statements of Activities				
Year Ended June 30,				
	<u>2015</u>		<u>2014</u>	
Revenues				
Program Revenues				
Charges for Services	\$ 8,660,672	10.54%	\$ 8,281,948	10.52%
Grants and Contributions	4,804,600	5.85%	5,349,982	6.79%
Total Program Revenues	<u>13,465,272</u>	<u>16.39%</u>	<u>13,631,930</u>	<u>17.31%</u>
General Revenues				
Property Taxes	43,719,158	53.21%	40,541,684	51.49%
State Revenue Sharing	24,474,254	29.79%	22,902,761	29.09%
Other Federal, State and Local Sources	378,866	0.46%	35,035	0.04%
Investment Earnings	116,422	0.14%	115,547	0.15%
Recovery of Prior Year Expenses & Other	2,375	0.01%	1,507,875	1.93%
Total General Revenues	<u>68,691,075</u>	<u>83.61%</u>	<u>65,102,902</u>	<u>82.69%</u>
Total Revenues	<u>82,156,347</u>	<u>100.00%</u>	<u>78,734,832</u>	<u>100.00%</u>
Expenses				
Instruction	37,958,641	54.29%	41,324,600	53.68%
Support Services	19,175,212	27.43%	20,608,874	26.77%
Community Services	3,978,522	5.69%	4,002,622	5.20%
Facilities Acquisition	(21,947)	-0.03%	482,612	0.63%
Depreciation and Amortization	3,030,987	4.34%	4,646,364	6.04%
Interest on Long-Term Debt	5,794,224	8.27%	5,924,837	7.68%
Total Expenses	<u>69,915,639</u>	<u>100.00%</u>	<u>76,989,909</u>	<u>100.00%</u>
Change in Net Position	12,240,708		1,744,923	
Net Position - Beginning as restated	(5,556,936)		31,396,216	
Net Position - Ending - as originally reported	<u><u>\$ 6,683,772</u></u>		<u><u>\$ 33,141,139</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 99% and 97% of general revenues and 83% and 81% of total revenues for the 2015 and 2014 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. Recovery of prior year expenses decreased due to final recoveries concluding construction related litigation in fiscal year 2014. Charges for services are only 10.54% and 10.52% of total revenues for the 2015 and 2014 fiscal years, respectively, and are comprised of the following items for which it is appropriate to charge tuition or fees:

	<u>2015</u>	<u>2014</u>
• Community services charges for enrichment and extended day care programs	\$ 2,687,954	\$ 2,559,107
• Food services charges not only for lunch and breakfast, but also for catering and contract services	1,226,367	1,190,043
• Tuition and fees are charged for participation in various extra-curricular activities and out-of-district students	<u>4,746,351</u>	<u>4,532,798</u>
Total Charges for Services:	<u>\$ 8,660,672</u>	<u>\$ 8,281,948</u>

Food service charges increased in fiscal year 2015 due to a modest fee increase. Grants and contributions represent 5.85% and 6.79% of total revenues for the 2015 and 2014 fiscal years, respectively, declining due to a large capital contribution in fiscal year 2014. Also included in this category is \$363,172 and \$365,373 for federal reimbursement and subsidy under the school lunch program for the 2015 and 2014 fiscal years, respectively. Other federal, state, and other grants for designated programs totaled \$1,530,883 and \$1,493,373, respectively. The balance is comprised primarily of contributions through the Lake Oswego School District Foundation, which was \$1.6 million in each fiscal year 2015 and 2014, 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 54% of the total expenses of \$69,915,639 and \$76,989,909 for the 2015 and 2014 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> 2015	<u>Net Cost of Services</u> 2015	<u>Total Cost of Services</u> 2014	<u>Net Cost of Services</u> 2014
Instruction	\$ 37,958,641	\$ 30,725,705	\$ 41,324,600	\$ 34,324,824
Support Services	19,175,212	17,956,191	20,608,874	19,372,770
Community Services	3,978,522	(298,971)	4,002,622	(111,901)
Facilities Acquisition	(21,947)	(639,885)	482,612	(640,725)
Depreciation and Amortization	3,030,987	3,030,987	4,646,364	4,646,364
Interest on Long-Term Debt	5,794,224	5,676,340	5,924,837	5,766,647
Total	<u>\$ 69,915,639</u>	<u>\$ 56,450,367</u>	<u>\$ 76,989,909</u>	<u>\$ 63,357,979</u>

Total and net costs of services declined in fiscal year 2015 due to the reduction in pension expenses accompanying the PERS net pension asset offset by increased expenditures due to normal cost increases and modest increases in staffing and new textbook costs. Depreciation and amortization costs decreased due to the elimination of the amortization of the Prepaid Pension Obligation with the implementation of GASBS No. 68. Interest on long-term debt expenses decreased due to normal reductions of debts from normal scheduled principal payments.

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, 2015, the District's governmental funds reported combined ending fund balances of \$10,285,641. Of this amount, \$1,414,791 was related to debt-financed or restricted revenues for capital projects and is not

available to meet general obligations of the District. Additionally, \$127,383 is reserved for payment of the District’s general obligation bonded debt and \$104,087 is unspendable inventory and prepaid costs for use by various funds. \$1,535,669 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. The remaining \$7,053,452 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 \$7,053,452, an increase of \$1,489,873 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 of \$127,383 available for future general obligation bonded debt service. 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 of \$1,414,791 for capital projects in progress that will be completed or begin in fiscal year 2015, or for payment of certain long-term obligations.

General Fund Budgetary Highlights

The General Fund is the largest fund of the governmental funds. Due primarily to \$2,137,209 in proceeds from the refinancing of a long-term debt, General Fund total revenues and other sources exceeded amounts budgeted by \$4,190,472. That same refinancing caused expenditures to exceed amounts budgeted by \$921,716. There was a positive variance of \$4,338,549 above the \$2,750,000 budgeted for the ending fund balance. The only difference between the original budget and the final amended budgets of the governmental funds was a budget transfer in the General Fund’s contingency appropriation category to the instruction services appropriation category for \$570,000 to support new textbook purchases. 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, 2015, amounts to \$109,071,741, a decrease of \$2,599,020 from the prior year amount of \$111,670,761 (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 decreased by 2.33% due to ongoing regular annual depreciation.

Capital Assets (Net of Depreciation)	Governmental Activities		Percentage Change
	Total School District		
	2015	2014	
Land	\$ 5,317,870	\$ 5,258,641	1.13%
Buildings and Improvements	102,042,666	104,823,740	-2.65%
Vehicles, Equipment and Furniture	1,364,539	1,339,069	1.90%
Construction in Progress	346,666	249,311	39.05%
Total	\$ 109,071,741	\$ 111,670,761	-2.33%

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

- Studies of its 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 \$108,056,429, which does not include its Other Postemployment Benefit obligation liability of \$3,030,498. Of this \$108,056,429, \$98,863,526 is comprised of general obligation debt and pension obligation debt net of unamortized premiums and discounts, \$8,620,742 comprises debts backed by the full faith and credit of the District and \$572,161 comprises debt for future stipend payments to former employees retired under provisions of certain bargained agreements. The District’s total debt decreased by \$4,917,070 during the current fiscal year due to normal scheduled principal payments. Total debt decreased \$4,384,103 during the fiscal year 2014 due to normal scheduled principal payments.

Outstanding Long-Term Debt			
Total School District			
	2015	2014	Percentage Change
Bonded Debt	\$ 98,863,526	\$ 103,070,690	-4.3%
Other Long-Term Debt	9,192,903	9,902,809	-7.7%
Total	\$ 108,056,429	\$ 112,973,499	-4.6%

Moody’s Investors Service confirmed the rating on the District’s unlimited tax general obligation bonds was Aa2 in 2001. The ratings are primarily based on the District’s large and diverse tax base, which continues to grow. These ratings remain unchanged at June 30, 2015.

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 \$805 million, calculated as 7.95% of Real Market Value of \$10.1 billion. This limit is significantly in excess of the District’s outstanding general obligation debt of \$59,705,000.

Additional information on the District’s long-term debt can be found in the notes to the basic financial statements of this report.

Economic Factors and Next Year’s 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 two 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 funding for the District was \$23.5 million for fiscal year 2008 and steadily declined in the wake of the great recession, to less than \$18.2 million for fiscal year 2013, rebounding to \$22.9 million for fiscal year 2014 and then \$24.5 million for fiscal year 2015. With improved state funding for the 2015-17 biennium, offset in part by increased costs from the state-wide implementation of full-day kindergarten, it is presently estimated to be over \$25 million for fiscal year 2016, which, while still inadequate, will allow the District, in combination with Foundation fund-raising, local option property tax revenues, and cost-cutting measures implemented within the past several years, as more fully discussed below, to retain its current program offerings and end the 2016 fiscal year with a positive fund balance, possibly even larger than its \$7 million June 30, 2015 unassigned fund balance in the General Fund.
- While the District reduced staff and implemented other cost-reduction measures, the most significant cost-reduction measure implemented within the past several years 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 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 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, and \$1.6 million for each fiscal year 2014 and 2015. The Foundation expects to raise \$1.2 million for fiscal year 2016. 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 recently 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 \$7.46 million in fiscal year 2015, \$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 2015, fiscal year 2010 had been the highest single year of local option tax revenues; the lower amounts each following year are 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 \$8.6 million in fiscal year 2016 as real market values have again rebounded at a rate higher than normal annual increases in assessed values for the 2015 assessments. \$7.5 million was budgeted for

local option property taxes; increases are very difficult to forecast. The District is hopeful this positive trend will continue in succeeding property tax assessments and valuations.

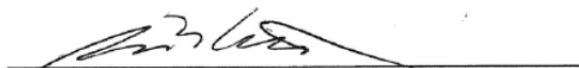
- As more fully explained in the Claims and Litigation footnote, the District settled its lawsuit in fiscal year 2014 against former legal representation in exchange for receipt of a \$1.5 million payment. This still leaves the District approximately \$5.5 million short of full recovery of damages it incurred in connection with its two high school capital projects. This shortfall was funded by a long-term Full Faith and Credit obligation issued in June 2015 that matures in 2030. Resources in the Capital Projects Fund will pay fiscal year debt service on this debt so it does not impact the District's fiscal year 2016 General Fund budget.
- The District's licensed staff is represented by the Lake Oswego Education Association and its classified staff by the Lake Oswego School Employees Association under separate contracts that expire June 30, 2016. Both associations approved new three-year contracts effective July 1, 2013 that include, among other things, reduced health benefits, a 1% increase on base wages in the first year of the contract and 2% in each of the following two years, and continuation of 3 unpaid days each year through the end of both contracts. The District was able to discontinue the unpaid days in fiscal year 2016 and expects to beyond, but its ability to do so will be significantly influenced by whether state funding currently set for this biennium is fully realized and the amount of state funding and ultimate increase in PERS rates in the next state biennium that begins on July 1, 2017. PERS recently released a 2014 actuarial report for advisory purposes only; actual employer contribution rates as of July 1, 2017 will be set by the 2015 actuarial report that is expected to be released in September 2016. If the results of the 2014 advisory report were used the District would see an increase in its PERS rates of just under 4% on average, representing approximately \$1.3 million in additional PERS contribution expenditures annually. 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 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. Fund balances are currently projected to be within these ranges. 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 Business Services, Lake Oswego School District, P.O. Box 70, Lake Oswego, Oregon 97034.



Heather Beck
Superintendent



Stuart Ketzler
Executive Director of Finance/Deputy Clerk

BASIC FINANCIAL STATEMENTS

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
STATEMENT OF NET POSITION
JUNE 30, 2015

	PRIMARY GOVERNMENT	COMPONENT UNIT
ASSETS:		
Cash and Cash Equivalents	\$ 16,954,352	\$ -
Intergovernmental Receivables	-	246,678
Property Taxes and Other Receivables	3,304,804	10,618
Prepays	35,097	-
Inventories	119,249	-
PERS Net Pension Asset	6,730,334	-
Capital Assets Not Being Depreciated	5,664,536	-
Capital Assets, Net of Accumulated Depreciation of \$44,012,012	<u>103,407,205</u>	<u>-</u>
Total Assets	<u>136,215,577</u>	<u>257,296</u>
DEFERRED OUTFLOWS OF RESOURCES		
PERS Pension Deferred Outflows	<u>3,230,011</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>139,445,588</u>	<u>257,296</u>
LIABILITIES:		
Accounts Payable	786,933	11,336
Accrued Payroll, Taxes, and Employee Withholdings	5,927,437	-
Intergovernmental Payables	246,678	-
Unearned Revenue	975,591	-
Accrued Interest Payable	254,284	-
Vested Compensated Absences Payable	497,151	-
Long-term Liabilities:		
Due Within One Year	6,107,453	-
Due in More Than One Year	101,948,972	-
Other Postemployment Benefit Obligation	<u>3,030,498</u>	<u>-</u>
Total Liabilities	<u>119,774,997</u>	<u>11,336</u>
DEFERRED INFLOWS OF RESOURCES		
PERS Pension Deferred Inflows	<u>12,986,819</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>132,761,816</u>	<u>11,336</u>
NET POSITION:		
Net Investment in Capital Assets	42,160,791	-
Restricted for Debt Service	462,913	-
Unrestricted	<u>(35,939,931)</u>	<u>245,960</u>
Total Net Position	<u>\$ 6,683,772</u>	<u>\$ 245,960</u>

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

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

FUNCTIONS	EXPENSES	FUNCTION REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	COMPONENT UNIT
Governmental Activities:						
Instruction	\$ 37,958,641	\$ 4,328,515	\$ 2,904,421	\$ -	\$ (30,725,705)	\$ -
Support Services	19,175,212	417,836	801,185	-	(17,956,191)	-
Community Services	3,978,522	3,914,321	363,172	-	298,971	-
Facilities Acquisition	(21,947)	-	-	617,938	639,885	-
Depreciation and Amortization	3,030,987	-	-	-	(3,030,987)	-
Interest on Long-Term Debt	5,794,224	-	117,884	-	(5,676,340)	-
Total Governmental Activities - Primary Government	<u>\$ 69,915,639</u>	<u>\$ 8,660,672</u>	<u>\$ 4,186,662</u>	<u>\$ 617,938</u>	<u>(56,450,367)</u>	<u>-</u>
Component Unit - Lake Grove Park	<u>\$ 157,406</u>	<u>\$ 23,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(134,058)</u>
General Revenues						
Taxes:						
Property Taxes, Levied for General Purposes					37,356,405	179,469
Property Taxes, Levied for Debt Service					6,362,753	-
State Revenue Sharing					24,474,254	-
Grants and Contributions Not Restricted to Specific Programs:						
Federal					34,241	-
State and Local Grants					344,625	-
Interest and Investment Earnings					116,422	-
Net Compensation for Loss of Capital Assets					2,375	-
Total General Revenues					<u>68,691,075</u>	<u>179,469</u>
Changes in Net Position					12,240,708	45,411
Net Position - Beginning (As Previously Reported)					28,382,058	200,549
Prior Period Adjustment from Implementation of GASB 68					<u>(33,938,994)</u>	<u>-</u>
Net Position - Beginning (As Restated)					<u>(5,556,936)</u>	<u>200,549</u>
Net Position - Ending					<u>\$ 6,683,772</u>	<u>\$ 245,960</u>

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

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>SPECIAL REVENUE</u>		
	<u>GENERAL</u>	<u>COMMUNITY CONTRIBUTIONS</u>	<u>DEBT SERVICE</u>
ASSETS:			
Cash and Investments	\$ 13,858,303	\$ -	\$ 73,645
Interfund Receivables	-	860,645	-
Receivables:			
Taxes	2,164,181	-	389,511
Accounts	442,622	3,912	-
Grants	-	-	-
Prepays	35,097	-	-
Inventory of Supplies	68,990	-	-
	<u>16,569,193</u>	<u>864,557</u>	<u>463,156</u>
Total Assets	<u>\$ 16,569,193</u>	<u>\$ 864,557</u>	<u>\$ 463,156</u>
LIABILITIES AND FUND BALANCES:			
Liabilities			
Interfund Payables	\$ 673,671	\$ -	\$ -
Intergovernmental Payable	246,678	-	-
Accrued Payroll and Benefits Payable	5,927,437	-	-
Accounts Payable	697,909	7,023	-
Unearned Revenue	10,510	650,000	-
Matured Bond and Coupons Payable	-	-	244
	<u>7,556,205</u>	<u>657,023</u>	<u>244</u>
Total Liabilities	<u>7,556,205</u>	<u>657,023</u>	<u>244</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	1,855,449	-	335,529
Fund Balances:			
Nonspendable:			
Prepays	35,097	-	-
Inventory	68,990	-	-
Committed to:			
Community Support	-	207,534	-
Student Activities	-	-	-
Restricted for:			
Debt Service	-	-	127,383
Capital Projects	-	-	-
Unassigned	7,053,452	-	-
	<u>7,157,539</u>	<u>207,534</u>	<u>127,383</u>
Total Fund Balances	<u>7,157,539</u>	<u>207,534</u>	<u>127,383</u>
	<u>\$ 16,569,193</u>	<u>\$ 864,557</u>	<u>\$ 463,156</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,569,193</u>	<u>\$ 864,557</u>	<u>\$ 463,156</u>

CAPITAL PROJECTS	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,693,469	\$ 1,328,935	\$ 16,954,352
-	289,081	1,149,726
-	-	2,553,692
178,649	53,067	678,250
-	72,862	72,862
-	-	35,097
-	50,259	119,249
<u>\$ 1,872,118</u>	<u>\$ 1,794,204</u>	<u>\$ 21,563,228</u>
\$ 403,206	\$ 72,849	\$ 1,149,726
-	-	246,678
-	-	5,927,437
54,121	27,880	786,933
-	315,081	975,591
-	-	244
<u>457,327</u>	<u>415,810</u>	<u>9,086,609</u>
-	-	2,190,978
-	-	35,097
-	50,259	119,249
-	-	207,534
-	1,328,135	1,328,135
-	-	127,383
1,414,791	-	1,414,791
-	-	7,053,452
<u>1,414,791</u>	<u>1,378,394</u>	<u>10,285,641</u>
<u>\$ 1,872,118</u>	<u>\$ 1,794,204</u>	<u>\$ 21,563,228</u>

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

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balances - Governmental Funds \$ 10,285,641

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

Net Capital Assets 109,071,741

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

PERS net pension asset (liability)	\$ 6,730,334	
Deferred inflows of resources related to pensions	(12,986,819)	
Deferred outflows of resources related to pensions	3,230,011	(3,026,474)

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

Long Term Liabilities		
Early Retirement Liability	(572,161)	
Compensated Absences Payable	(497,151)	
FF & C's Payable	(8,371,000)	
Accrued Interest Payable	(254,037)	
Notes Payable	(249,742)	
PERS Bonds Payable	(39,158,525)	
General Obligation Bonds Payable	(59,705,000)	
Other Postemployment Benefit Obligations	(3,030,498)	(111,838,114)

Unavailable Revenue Related to Property Taxes 2,190,978

Net Position \$ 6,683,772

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, 2015**

	<u>SPECIAL REVENUE</u>		
	<u>GENERAL</u>	<u>COMMUNITY CONTRIBUTIONS</u>	<u>DEBT SERVICE</u>
REVENUES:			
Local Sources:			
Taxes	\$ 37,231,275	\$ -	\$ 6,348,313
Earnings on Investments	95,902	-	8,762
Other Local Sources	1,852,714	2,116,147	-
Intermediate Sources	525,574	-	-
State Sources	24,461,183	-	-
Federal Sources	34,241	-	-
	<u>64,200,889</u>	<u>2,116,147</u>	<u>6,357,075</u>
Total Revenues			
EXPENDITURES:			
Current:			
Instruction	38,361,592	1,961,880	-
Support Services	20,678,010	43,093	-
Enterprise and Community Services	-	-	-
Capital Outlay	287,781	4,489	-
Debt Service:			
Principal	3,118,752	-	3,235,000
Interest and Other Charges	2,225,581	90,163	3,257,506
	<u>64,671,716</u>	<u>2,099,625</u>	<u>6,492,506</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>(470,827)</u>	<u>16,522</u>	<u>(135,431)</u>
OTHER FINANCING SOURCES, (USES):			
Proceeds from Refunding of Long-term Debt	2,137,209	-	-
Sale/Compensation For Loss of Capital Assets	2,375	-	-
Transfers In	-	-	-
Transfers Out	<u>(186,607)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>1,952,977</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,482,150	16,522	(135,431)
Increase (Decrease) in Inventories	(4,202)	-	-
FUND BALANCE, Beginning of Year	<u>5,679,591</u>	<u>191,012</u>	<u>262,814</u>
FUND BALANCE, End of Year	<u>\$ 7,157,539</u>	<u>\$ 207,534</u>	<u>\$ 127,383</u>

CAPITAL PROJECTS	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 359,323	\$ -	\$ 43,938,911
11,758	-	116,422
254,126	6,807,958	11,030,945
-	114,000	639,574
-	21,003	24,482,186
-	1,772,123	1,806,364
<u>625,207</u>	<u>8,715,084</u>	<u>82,014,402</u>
-	3,878,402	44,201,874
-	758,092	21,479,195
-	4,362,059	4,362,059
125,567	-	417,837
6,709,658	56,794	13,120,204
167,835	151,744	5,892,829
<u>7,003,060</u>	<u>9,207,091</u>	<u>89,473,998</u>
<u>(6,377,853)</u>	<u>(492,007)</u>	<u>(7,459,596)</u>
6,233,791	-	8,371,000
-	-	2,375
-	186,607	186,607
-	-	(186,607)
<u>6,233,791</u>	<u>186,607</u>	<u>8,373,375</u>
(144,062)	(305,400)	913,779
-	41,750	37,548
<u>1,558,853</u>	<u>1,642,044</u>	<u>9,334,314</u>
<u>\$ 1,414,791</u>	<u>\$ 1,378,394</u>	<u>\$ 10,285,641</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, 2015**

Total Net Changes in Fund Balances - Governmental Funds		\$	913,779
Repayment of bond and note payable principal, compensated absences, and post retirement obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Additions to compensated absences and post retirement obligations is an expense for the Statement of Net Position, but not the governmental funds.			13,806,740
Net proceeds from refunding of long-term debt is an other financing source in the governmental funds, but increases long-term debt in the Statement of Net Position.			(8,371,000)
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	\$	431,967
	Depreciation Expense		<u>(3,030,987)</u>
			(2,599,020)
In the Statement of Activities, pension expense is adjusted based on the actuarially determined contribution changes.			
	Net Change in PERS Pension liability/asset		21,882,608
	Net Change in PERS Pension deferred outflows of resources		192,171
	Net Change in PERS Pension deferred inflows of resources		<u>(12,986,819)</u>
			9,087,960
Changes in inventory are a direct reduction of fund balances in the governmental funds. Changes in inventory either increase or reduce expenses in the Statement of Activities.			37,548
In the Statement of Activities, interest is accrued on long-term debt and discounts are accreted, whereas in the governmental funds it is recorded as an expense when due.			(774,869)
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>139,570</u>
Change in Net Position of Governmental Activities		\$	<u>12,240,708</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, 2015

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 approximately \$1,600,000 for the year ended June 30, 2015.

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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

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: (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 are reported as restricted when constraints placed on net asset use 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.

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

Capital Projects Fund - This fund is used to account for the District's major construction projects. Proceeds from the sale of bonds 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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Special Revenue Funds (Continued)

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.

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 time certificates of deposit, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). Time certificates of deposit are stated at cost which approximates fair value. U.S. Government Agency securities are stated at amortized cost which approximates fair value. The LGIP is stated at cost which approximates fair value.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

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.

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 one item that qualifies for reporting in this category, arising only under the accrual basis of accounting. As such, this item, *PERS deferred outflows*, which relates to the deferral of PERS contributions under GASBS No. 68, only appears 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 two items that qualify for reporting in this category. One item, *PERS deferred inflows*, arises only under a full accrual basis of accounting and only appears 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 that 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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 with a reserve to 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.

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. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

Some 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. Benefits under these agreements are funded on a current basis in the General Fund and recognized as a liability in the Statement of Net Position.

Other Postemployment Benefits

Eligible employees who elect supplemental retirement may be entitled to payment of group medical insurance premiums. The costs of these premiums are recorded as expenditures as they come due and are funded on a current basis.

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

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

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.

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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, there was one appropriations transfer 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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2015

CASH AND INVESTMENTS (Continued)

Cash and investments are comprised of the following as of June 30, 2015:

<i>Cash and Investments</i>	<i>Carrying Value</i>	<i>Fair Value/Cost</i>
Cash on hand	\$ 4,350	\$ 4,350
Deposits with financial institutions	643,794	643,794
Investments	16,306,208	16,306,208
	<u>\$ 16,954,352</u>	<u>\$ 16,954,352</u>

Deposits

The District's deposits with various financial institutions had a bank value of \$1,970,022 and a book value of \$643,794 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, 2015, \$1,359,385 of the District's bank balances were covered by the PFCP.

Investments

As of June 30, 2015, the District held the following investments and maturities:

<i>Investment type</i>	<i>Carrying Amount</i>	<i>Weighted Average Maturity in years</i>	<i>% of portfolio</i>
Time certificates of deposit	\$ 110,637	0.083	1%
Treasury bills	549,146	0.500	3%
Local Government Investment Pool	15,646,425	0.003	96%
	<u>\$ 16,306,208</u>	<u>0.021</u>	<u>100%</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

CASH AND INVESTMENTS *(Continued)*

Investments (Continued)

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

With the exception of pass-through funds, the maximum amount of pooled investments to be placed in the Local Government Investment Pool is limited by Oregon Statute to 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. Time certificates of deposit are fully federally insured at June 30, 2015.

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, 2015, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool was approximately equal to the value of the pool shares. Separate financial statements for the Oregon Short Term Fund are available from the Oregon State Treasurer. The LGIP is not rated for credit risk.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2015

CASH AND INVESTMENTS (Continued)

Interest Rate Risk

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

Concentration of Credit Risk

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

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

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

<i>Investment Type</i>	<i>Maximum % of Portfolio</i>	<i>Maximum length to maturity</i>
Certificates of Deposit	100%	2 years
U.S. Treasury Obligations (Bills, Notes, Bonds)	100%	2 years
Local Government Investment Pool	100%	1 day
Federal Agency Securities	50%	2 years
Repurchase Agreements	25%	2 years
Banker's Acceptances	50%	2 years

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

RECEIVABLES

Receivables are comprised of the following as of June 30, 2015:

Property taxes receivable		
General Fund	\$	2,164,181
Debt Service Fund		389,511
Total property taxes receivable		<u>2,553,692</u>
Accounts and grants receivable		
General Fund		442,622
Community Contributions Fund		3,912
Capital Projects Fund		178,649
Other Nonmajor Governmental Funds		125,929
Total accounts and grants receivable		<u>751,112</u>
Total	\$	<u><u>3,304,804</u></u>

INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2015 is as follows:

	<u><i>Due from Other Funds</i></u>	<u><i>Due to Other Funds</i></u>
General	\$ -	\$ 673,671
Community Contributions	860,645	-
Capital Projects	-	403,206
Other Nonmajor Governmental Funds	289,081	72,849
Total	<u>\$ 1,149,726</u>	<u>\$ 1,149,726</u>

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

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

CAPITAL ASSETS

Capital assets activity for the year was as follows:

	<i>Balances July 1, 2014</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2015</i>
Capital assets not being depreciated:				
Land	\$ 5,258,641	\$ 59,229	\$ -	\$ 5,317,870
Construction in progress	249,311	97,355	-	346,666
<i>Total Capital Assets Not Being Depreciated</i>	<u>5,507,952</u>	<u>156,584</u>	<u>-</u>	<u>5,664,536</u>
Capital assets being depreciated:				
Buildings and improvements	143,247,968	-	-	143,247,968
Vehicles and equipment	3,895,866	275,383	-	4,171,249
<i>Total Capital Assets Being Depreciated</i>	<u>147,143,834</u>	<u>275,383</u>	<u>-</u>	<u>147,419,217</u>
Less accumulated depreciation for:				
Buildings and improvements	(38,424,228)	(2,781,074)	-	(41,205,302)
Vehicles and equipment	(2,556,797)	(249,913)	-	(2,806,710)
<i>Total Accumulated Depreciation</i>	<u>(40,981,025)</u>	<u>(3,030,987)</u>	<u>-</u>	<u>(44,012,012)</u>
<i>Total Capital Assets Being Depreciated, net</i>	<u>106,162,809</u>	<u>(2,755,604)</u>	<u>-</u>	<u>103,407,205</u>
<i>Total Capital Assets, net</i>	<u>\$ 111,670,761</u>	<u>\$ (2,599,020)</u>	<u>\$ -</u>	<u>\$ 109,071,741</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

LONG-TERM DEBT

The following is a summary of long-term debt transactions during the year ended June 30, 2015:

<u>Issue Date</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2014</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2015</u>	<u>Amounts Due in One Year</u>
General obligation bonds used for						
Capital Purposes:						
August 4, 2005	\$ 80,740,000	\$ 62,940,000	\$ -	\$ (3,235,000)	\$ 59,705,000	\$ 3,585,000
Pension Bonds:						
October 2002	23,926,732	19,163,094	-	(467,167)	18,695,927	479,712
April 2003	16,302,037	12,779,834	-	(436,586)	12,343,248	442,522
August 2011	1,660,000	1,660,000	-	-	1,660,000	-
Total pension bonds		33,602,928	-	(903,753)	32,699,175	922,234
Total		96,542,928	-	(4,138,753)	92,404,175	4,507,234
Accretion of discount		6,527,762	805,061	(873,473)	6,459,350	931,566
Total bonds payable		103,070,690	805,061	(5,012,226)	98,863,525	5,438,800
Notes payable		416,194	-	(166,452)	249,742	30,807
Full faith and credit obligations		8,815,000	8,371,000	(8,815,000)	8,371,000	464,000
Early retirement		671,615	134,158	(233,612)	572,161	173,846
Total		<u>\$ 112,973,499</u>	<u>\$ 9,310,219</u>	<u>\$ (14,227,290)</u>	<u>\$ 108,056,428</u>	<u>\$ 6,107,453</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.						
					\$ 59,705,000	
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.						
					18,695,927	
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.						
					12,343,248	
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	
Accretion of discount						
					6,459,350	
Notes payable						
					249,742	
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.						
					8,371,000	
Early retirement incentive						
					572,161	
Total long-term debt					<u>\$ 108,056,428</u>	

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2015

LONG-TERM DEBT (Continued)

Future maturities on bonds are as follows:

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 4,507,234	\$ 5,594,961	\$ 10,102,195
2017	4,895,098	5,562,803	10,457,901
2018	5,315,951	5,540,036	10,855,987
2019	5,769,048	5,487,470	11,256,518
2020	6,267,936	5,437,699	11,705,635
2021-2025	50,163,908	15,431,548	65,595,456
2026-2028	15,485,000	1,425,572	16,910,572
	<u>\$ 92,404,175</u>	<u>\$ 44,480,089</u>	<u>\$ 136,884,264</u>

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

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

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.

Notes 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, 2015

LONG-TERM DEBT (Continued)

Future debt service requirements on notes payable are as follows:

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 30,807	\$ 11,622	\$ 42,429
2017	32,303	10,125	42,428
2018	33,872	8,557	42,429
2019	35,517	6,911	42,428
2020	37,242	5,186	42,428
2021-2022	80,001	4,859	84,860
	<u>\$ 249,742</u>	<u>\$ 47,260</u>	<u>\$ 297,002</u>

On June 2, 2015, the District issued debt totaling \$8,371,000 per board approval granted in May 2015. \$2,138,000 of that new debt was used to advance refund debts at par with a principal value of \$2,115,000. The prior debts were called on June 2, 2015, but were not paid until July 17, 2015. As the proceeds of the new debt were escrowed in an irrevocable trust and all uncertainties relating to that advance refunding were eliminated as of June 2, 2015, the prior debt has been recorded as in substance defeasance as of June 2, 2015. Accordingly the \$2,115,000 liability has been removed, and the payoff of the old debt was accounted for as an expenditure in the Governmental Funds for the fiscal year ending June 30, 2015.

Due to a lower interest rate on the new debt, this advance refunding decreased debt service payments over the life of the new debt by \$299,715 and resulted in net present value savings of \$248,447.

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

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 464,000	\$ 212,450	\$ 676,450
2017	477,000	201,233	678,233
2018	490,000	189,093	679,093
2019	504,000	176,623	680,623
2020	517,000	163,796	680,796
2021-2025	2,772,000	615,865	3,387,865
2026-2030	3,147,000	244,193	3,391,193
	<u>\$ 8,371,000</u>	<u>\$ 1,803,253</u>	<u>\$ 10,174,253</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2015

LONG-TERM DEBT (Continued)

Compensated absences activity for the year is as follows:

	<u>Outstanding July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding June 30, 2015</u>	<u>Amount Due in One Year</u>
Compensated absences	\$ 483,772	\$ 497,151	\$ (483,772)	\$ 497,151	\$ 497,151

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

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 186,607
Other nonmajor funds	186,607	-
Total	<u>\$ 186,607</u>	<u>\$ 186,607</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 Community Services, Food Services and Grants funds 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/section/financial_reports/financials.aspx.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

PERS Pension (Chapter 238)

The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.

Pension Benefits. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:

- member was employed by PERS employer at the time of death,
- member died within 120 days after termination of PERS covered employment,
- member died as a result of injury sustained while employed in a PERS-covered job, or
- member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits. A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement. Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

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.

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, 2015

PENSION PLAN (Continued)

Oregon Public Service Retirement Plan Pension Program (OPSRP DB) (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, 2011 actuarial valuation, which became effective July 1, 2013. 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, 2015 were \$3,157,554, excluding amounts to fund employer specific liabilities.

At June 30, 2015, the District reported a net pension asset of \$6,730,334 for its proportionate share of the net pension asset. The pension asset was measured as of December 31, 2012, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2012, the District's proportion was .30 percent.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

Contributions (Continued)

	<u>Deferred Outflow of Resources</u>	<u>Deferred (Inflow) of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (12,986,819)
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>72,457</u>	<u>-</u>
Subtotal - Amortized Deferrals (below)	-	(12,914,362)
District contributions subsequent to measurement date	<u>3,157,554</u>	<u>-</u>
Net deferred outflow (inflow) of resources		<u>\$ (9,756,808)</u>

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

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ (3,230,954)
2017	(3,230,954)
2018	(3,230,954)
2019	(3,230,954)
2020	9,454
Thereafter	-
Total	<u>\$ (12,914,362)</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated July 29, 2015. Oregon PERS produces an independently audited CAFR which can be found at:

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

Actuarial Valuations

The employer contribution rates effective July 1, 2013 through June 30, 2015, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

Actuarial Valuations (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, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, Published September 18, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increase	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2012 Experience Study which is reviewed for the four-year period ending December 31, 2012.

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

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2015

PENSION PLAN (Continued)

Actuarial Methods and Assumptions: (Continued)

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

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability (asset)	\$ 14,252,417	\$ (6,730,334)	\$ (24,476,821)

Changes in Plan Provisions Subsequent to Measurement Date:

The Oregon Supreme Court on April 30, 2015, ruled in the Moro decision, that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law were unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients. PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This is a change in benefit terms subsequent to the measurement date of June 30, 2015, which will be reflected in the next year's actuarial valuations. The impact of the Moro decision on the total pension liability and employer's net pension liability (asset) has not been fully determined. However, PERS' third-party actuaries have estimated the impact of the Moro decision under one possible methodology, which is summarized below (dollars in millions). Estimates Post-Moro have been rounded to the nearest \$10 million.

	June 30, 2014 Measurement Date for all PERS	
	Employers (in millions)	
	<u>Pre- Moro</u>	<u>Post- Moro</u>
Total pension liability	\$ 63,135	\$ 68,050
Fiduciary net position	65,402	65,400
Net pension liability (asset)	<u>\$ (2,267)</u>	<u>\$ 2,650</u>

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

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

OTHER POST EMPLOYMENT BENEFITS (OPEBs)

District Early Retirement Incentive Program

Description - The District maintains 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.

Funding Policy

The District provides payments in accordance with current contracts on a pay-as-you-go basis. At June 30, 2015, the District was providing early retirement benefits to 47 former teachers or administrators. During the year ended June 30, 2015, governmental fund expenditures related to early retirement stipend benefits totaled \$233,612.

Expenditures are recorded in the governmental funds as the incentive payments are paid. The present value of future incentive payments is recorded in the Statement of Net Position.

Postemployment Health Care 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.

Funding Policy

The District provides payments in accordance with current employee contracts on a pay-as-you-go basis. At June 30, 2015, the District was providing early retirement incentive health care benefits to 78 former employees.

Governmental fund expenditures related to early retirement insurance benefits totaled \$504,038 during the year ended June 30, 2015.

Expenditures are recorded in the governmental funds as the related insurance premiums are paid. The present value of estimated insurance premiums is recorded in the Statement of Net Position.

Postemployment Health Insurance Subsidy

The District follows GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). The District reports its liability for other postemployment benefits consistent with established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2015

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

The District's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. 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 employer contribution.

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.

Funding Policy

The benefits from this program are paid by either the District or the retired employees on a self-pay or contributory 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.

Annual OPEB Cost and Net OPEB Obligation – The District's annual other postemployment benefit cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASBS No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the OPEB obligation at the end of the year:

	2015	2014	2013
Annual required contribution	\$ 1,122,679	\$ 1,174,075	\$ 1,174,075
Interest on net OPEB obligation	82,724	74,033	66,798
Adjustment to annual required contribution	(140,685)	(122,236)	(110,291)
Annual OPEB cost	1,064,718	1,125,872	1,130,582
Contributions made	(791,702)	(836,152)	(889,418)
Increase in net OPEB obligation	273,016	289,720	241,164
Net OPEB obligation at beginning of year	2,757,482	2,467,762	2,226,598
Net OPEB obligation at end of year	<u>\$ 3,030,498</u>	<u>\$ 2,757,482</u>	<u>\$ 2,467,762</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2015

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

Funding Policy

The District’s annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for fiscal years ended June 30 were as follows:

Fiscal Year Ended June 30	Annual OPEB cost	Contribution	Percentage of Annual OPEB Cost Contributed
2013	\$ 1,130,582	\$ 889,418	78.7%
2014	1,125,872	836,152	74.3%
2015	1,064,718	791,702	74.4%

Funded Status and Funding Progress – As of June 30, 2015, the most recent actuarial valuation date, for the period ended June 30, 2015; the District’s actuarial accrued liability (AAL) for benefits was \$12,025,230, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,025,230. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will eventually present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – The actuarial cost method used to determine the cost and liabilities for this plan was the entry age normal actuarial cost method. Under this method, the unfunded value of all benefits expected to be paid from the plan is spread over the expected working career of all participants in such a way that annual costs are expected to remain level.

The actuarial assumptions included a discount rate of 3 percent and a 100 percent assumption of participants will elect medical coverage at retirement. They also assume medical and prescription drug costs would increase at 8 percent inflation for the current year, grading down to an annual rate of 5 percent after six years which is consistent with expectations for long-term health care cost inflation. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates, and withdrawal rates, are the same as those used by Oregon PERS for School Districts.

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, provided 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/.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2015

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

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, 2015 were 0.59% of annual covered OPERF payroll and 0.49% 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 in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District’s contributions to RHIA for the years ended June 30, 2015, 2014 and 2013 were \$178,939, \$173,103, and \$175,030, which equaled the required contributions each year.

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 any of the past three fiscal years.

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 are recorded as a payable throughout the District's various funds. Claims activity, including estimated incurred but not reported claims, for the fiscal years ended June 30, 2015, 2014 and 2013 are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Beginning accrued claims liability	\$ 324,202	\$ 331,710	\$ 311,163
Incurred claims (including IBNRs)	-	(61)	36,294
Claims payments	(11,034)	(7,446)	(15,747)
Accrued claims liability, June 30	<u>\$ 313,168</u>	<u>\$ 324,202</u>	<u>\$ 331,710</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2015

BUDGET COMPLIANCE

Excess of Expenditures over 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, 2015, expenditures did not exceed appropriations, except as follows:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund			
Debt Service	\$ 3,300,000	\$ 5,344,333	\$ (2,044,333)
Capital Projects Fund			
Debt Service	6,805,000	6,877,493	(72,493)
Other Nonmajor Funds:			
Grants Fund			
Support Services	716,000	758,092	(42,092)
Student Activity Fund			
Instruction	3,050,000	3,133,332	(83,332)

The expenditures in excess of budgeted appropriations in the Debt Service appropriations of the General Fund relate to an in substance defeasance as more fully explained in the long-term debt footnote.

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 each major governmental fund and other supplementary information for nonmajor governmental funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and GAAP basis are as follows:

	<u>General Fund</u>	<u>Other Nonmajor Funds</u>
Budget basis ending fund balance	\$ 7,088,549	\$ 1,328,135
Adjustments:		
Inventory	68,990	50,259
GAAP basis ending fund balance	<u>\$ 7,157,539</u>	<u>\$ 1,378,394</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

NEW PRONOUNCEMENTS

For the fiscal year ended June 30, 2015, the District implemented the following new accounting standards:

GASB Statement No. 68 “Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69 “Government Combinations and Disposals of Operations.” The statement provides guidance on accounting for and reporting government mergers, acquisitions, transfers of operations and disposal. The statement is effective for fiscal years beginning after December 15, 2013.

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date”. The statement amends transition provisions of GASB Statement No. 68, establishes accounting and financial reporting standards for recognition of contributions made between the measurement date of the net pension liability and implementation of GASB Statement No. 68. The statement is effective for fiscal years beginning after June 15, 2014.

The District will implement 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. 72 “Fair Value Measurement and Application.” The statement provides guidance on determining, accounting for, and reporting fair value measurements. The statement is effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 73 “Pension Transition for Contributions Made Subsequent to the Measurement Date Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments that are not within the scope of GASB Statement No. 68, extending that approach to all pensions. The statement is effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 74 “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” The statement establishes accounting and financial reporting requirements related to other postemployment benefits plans, replacing GASB Statements No. 43 and No. 57. The statement is effective for fiscal years beginning after June 15, 2016.

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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2015

CLAIMS AND LITIGATION (Continued)

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.

The District settled its lawsuit against its former legal counsel in 2014 in exchange for receipt of \$1.5 million. The settlement of this lawsuit concluded the various legal actions the District had begun against various parties in relation to construction defects and other claims originating from high school construction projects that were originally completed in 2005.

RESTATEMENT OF PRIOR YEAR NET POSITION

Due to the implementation of GASB Statements 68 and 71, a restatement of the prior year net position was required to record the net pension liability at the prior measurement date and reclassify prior year pension contributions from expenses to deferred outflows:

<i>Net position as previously reported at June 30, 2014</i>	\$ 28,382,058
<i>Prior period adjustment:</i>	
Removal of prepaid pension asset	(21,824,561)
Net pension liability (measurement date as of June 30, 2013)	(15,152,274)
District contributions made during fiscal year 2014 (deferred outflow)	<u>3,037,841</u>
Total prior period adjustment	<u>(33,938,994)</u>
<i>Net position as restated, at July 1, 2014</i>	<u><u>\$ (5,556,936)</u></u>

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 31, 2015, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR PERS
JUNE 30, 2015**

<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)</i>	<i>Employer's covered payroll</i>	<i>NPL as a percentage of covered payroll</i>	<i>Plan fiduciary net position as a percentage of the total pension liability</i>
2015	0.30%	\$ (6,730,334)	\$ 32,142,790	-21%	103.6%
2014	0.30%	15,152,274	30,660,107	49.4%	92.0%

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

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

LAKE OSWEGO SCHOOL DISTRICT NO.7J
SCHEDULE OF CONTRIBUTIONS FOR PERS
JUNE 30, 2015

<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>
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.

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

LAKE OSWEGO SCHOOL DISTRICT NO.7J
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	\$ -	13,988,495	13,988,495	0.0%	30,394,461	46.02%
July 1, 2013	-	11,668,311	11,668,311	0.0%	30,731,648	37.97%
July 1, 2015	-	12,025,230	12,025,230	0.0%	32,176,706	37.37%

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, 2015**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources	\$ 39,179,891	\$ 37,305,000	\$ 37,305,000	\$ 1,874,891
Intermediate Sources	525,574	705,000	705,000	(179,426)
State Sources	24,461,183	24,100,000	24,100,000	361,183
Federal Sources	<u>34,241</u>	<u>30,000</u>	<u>30,000</u>	<u>4,241</u>
Total Revenues	<u>64,200,889</u>	<u>62,140,000</u>	<u>62,140,000</u>	<u>2,060,889</u>
EXPENDITURES:				
Instruction	38,369,251	38,362,000	38,892,000	522,749
Support Services	20,958,132	21,088,000	21,088,000	129,868
Facilities Acquisition and Construction	-	1	1	1
Debt Service	5,344,333	3,300,000	3,300,000	(2,044,333)
Operating Contingency	<u>-</u>	<u>1,000,000</u>	<u>470,000</u>	<u>470,000</u>
Total Expenditures	<u>64,671,716</u>	<u>63,750,001</u>	<u>63,750,001</u>	<u>(921,715)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(470,827)	(1,610,001)	(1,610,001)	1,139,174
OTHER FINANCING SOURCES (USES):				
Proceeds from Refunding of Long-Term Debt	2,137,209	-	-	2,137,209
Transfers in	-	1	1	(1)
Transfers out	(186,607)	(350,000)	(350,000)	163,393
Sale of/Compensation for Loss of Capital Assets	<u>2,375</u>	<u>10,000</u>	<u>10,000</u>	<u>(7,625)</u>
Total Other Financing Sources (Uses)	<u>1,952,977</u>	<u>(339,999)</u>	<u>(339,999)</u>	<u>2,292,976</u>
NET CHANGE IN FUND BALANCE	1,482,150	(1,950,000)	(1,950,000)	3,432,150
FUND BALANCE, Beginning of year	<u>5,606,399</u>	<u>4,700,000</u>	<u>4,700,000</u>	<u>906,399</u>
FUND BALANCE, End of year	<u>\$ 7,088,549</u>	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>	<u>\$ 4,338,549</u>

See notes to required supplementary information.

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, 2015**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources	\$ 2,116,147	\$ 2,518,000	\$ 2,518,000	\$ (401,853)
EXPENDITURES:				
Instruction	1,966,369	2,220,000	2,220,000	253,631
Support Services	43,093	165,000	165,000	121,907
Facilities Acquisition and Construction	-	78,000	78,000	78,000
Debt Service	90,163	110,000	110,000	19,837
Total Expenditures	<u>2,099,625</u>	<u>2,573,000</u>	<u>2,573,000</u>	<u>473,375</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>16,522</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>71,522</u>
FUND BALANCE, Beginning of year	<u>191,012</u>	<u>55,000</u>	<u>55,000</u>	<u>136,012</u>
FUND BALANCE, End of year	<u>\$ 207,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,534</u>

See notes to required supplementary information.

OTHER SUPPLEMENTARY INFORMATION

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, 2015**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Taxes-Current Levy	\$ 29,102,613	\$ 28,300,000	\$ 28,300,000	\$ 802,613
Taxes-Prior Levies	668,255	800,000	800,000	(131,745)
Local Option Taxes-Current Levy	7,248,108	6,280,000	6,280,000	968,108
Local Option Taxes-Prior Levy	212,299	150,000	150,000	62,299
Tuition	759,716	560,000	560,000	199,716
Earnings on Investments	95,902	100,000	100,000	(4,098)
Gate Receipts	58,986	50,000	50,000	8,986
Sports Participation Fees	557,352	550,000	550,000	7,352
Student Fees	58,824	50,000	50,000	8,824
Property Lease Fees	301,326	310,000	310,000	(8,674)
Miscellaneous Income	116,510	155,000	155,000	(38,490)
Total From Local Sources	39,179,891	37,305,000	37,305,000	1,874,891
Intermediate Sources:				
County School Fund	2,103	5,000	5,000	(2,897)
ESD Choice Fund	342,522	350,000	350,000	(7,478)
ESD Special Fund	180,949	350,000	350,000	(169,051)
Total From Intermediate Sources	525,574	705,000	705,000	(179,426)
State Sources:				
School Support Fund	23,802,149	23,500,000	23,500,000	302,149
Common School Fund	637,627	600,000	600,000	37,627
Student Assessments	21,407	-	-	21,407
Total From State Sources	24,461,183	24,100,000	24,100,000	361,183
Federal Sources:				
Federal Forest Fees	34,241	30,000	30,000	4,241
Other Sources:				
Proceeds From Issuance of Long-Term Debt	2,137,209	-	-	2,137,209
Interfund Transfers	-	1	1	(1)
Sales/Compensation for Loss of Fixed Assets	2,375	10,000	10,000	(7,625)
Total From Other Sources	2,139,584	10,001	10,001	2,129,583
Total Revenues	\$ 66,340,473	\$ 62,150,001	\$ 62,150,001	\$ 4,190,472

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, 2015**

EXPENDITURES:	SALARIES	EMPLOYEE BENEFITS	PURCHASED SERVICES	SUPPLIES & MATERIALS
Instruction:				
Regular Programs:				
Primary, K-5	\$ 7,544,930	\$ 3,806,671	\$ 54,168	\$ 1,005,397
Jr. High Programs	4,046,996	2,063,050	27,724	232,869
Jr. High School Extra-curricular	158,238	37,565	11,797	7,916
High School Programs	6,151,950	3,128,263	71,143	457,673
High School Extra-curricular	1,046,540	266,460	82,585	52,736
Special Programs:				
Talented and Gifted	177,809	104,374	129	4,812
More Restrictive Special Programs	2,047,008	1,145,566	1,063,608	40,110
Less Restrictive Special Programs	1,815,934	1,059,997	4,369	29,943
Alternative Education	20,839	3,416	230,254	125,932
English 2nd Language	137,436	61,092	1,022	1,502
Total Instruction	<u>23,147,680</u>	<u>11,676,454</u>	<u>1,546,799</u>	<u>1,958,890</u>
Support Services:				
Students:				
Guidance Services	1,222,694	688,651	1,078	4,758
Health Services	71,299	36,182	2,021	3,572
Psychological Services	216,595	90,271	38,036	2,090
Speech Pathology and Audiology	373,838	184,286	2,502	1,237
Service Direction, Student Support	164,407	75,036	27,286	10,747
Instructional Staff:				
Improvement of Instruction	556,098	436,685	67,436	35,176
Educational Media	410,932	286,626	7,590	57,310
Assessment and Testing	4,147	678	2,021	15,272
General Administration:				
Board of Education	-	-	106,399	8,739
Executive Administration	268,633	81,882	62,806	6,500
School Administration - Office of the Principal	2,337,794	1,154,193	34,488	59,749
Business:				
Fiscal Services	474,594	246,479	31,203	(2,314)
Operation & Maintenance of Plant	1,532,462	916,116	2,635,352	301,702
Student Transportation	-	-	2,911,353	85,492
Central Activities:				
Information	92,129	46,046	10,499	709
Staff	219,760	123,110	31,526	23,136
Technology	258,411	135,475	72,314	174,892
Supplemental Retirement Program	233,612	504,038	-	-
Total Support Services	<u>8,437,405</u>	<u>5,005,754</u>	<u>6,043,910</u>	<u>788,767</u>
Facilities Acquisition and Construction				
Facilities Acquisitions/Improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CAPITAL OUTLAY	OTHER OBJECTS	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
\$ 1,870	\$ -	\$ 12,413,036	\$ 12,683,448	\$ 12,883,448	\$ 470,412
-	-	6,370,639	6,575,870	6,775,870	405,231
-	-	215,516	266,119	266,119	50,603
2,621	-	9,811,650	9,659,313	9,789,313	(22,337)
-	31,769	1,480,090	1,465,835	1,465,835	(14,255)
-	-	287,124	295,942	295,942	8,818
3,168	-	4,299,460	3,522,376	3,522,376	(777,084)
-	-	2,910,243	3,478,453	3,478,453	568,210
-	-	380,441	207,620	207,620	(172,821)
-	-	201,052	207,024	207,024	5,972
<u>7,659</u>	<u>31,769</u>	<u>38,369,251</u>	<u>38,362,000</u>	<u>38,892,000</u>	<u>522,749</u>
-	510	1,917,691	1,922,916	1,922,916	5,225
-	-	113,074	106,334	106,334	(6,740)
-	-	346,992	473,708	473,708	126,716
-	-	561,863	586,830	586,830	24,967
-	-	277,476	255,013	255,013	(22,463)
-	270	1,095,665	1,072,348	1,072,348	(23,317)
-	-	762,458	770,788	770,788	8,330
-	-	22,118	10,000	10,000	(12,118)
-	15,125	130,263	217,500	217,500	87,237
-	2,485	422,306	396,681	396,681	(25,625)
-	3,381	3,589,605	3,537,512	3,537,512	(52,093)
-	1,122	751,084	717,746	717,746	(33,338)
268,320	378,279	6,032,231	5,969,033	5,969,033	(63,198)
-	-	2,996,845	2,836,126	2,836,126	(160,719)
-	-	149,383	160,602	160,602	11,219
-	1,002	398,534	381,034	381,034	(17,500)
11,802	-	652,894	693,829	693,829	40,935
-	-	737,650	980,000	980,000	242,350
<u>280,122</u>	<u>402,174</u>	<u>20,958,132</u>	<u>21,088,000</u>	<u>21,088,000</u>	<u>129,868</u>
-	-	-	1	1	1

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, 2015**

EXPENDITURES (Cont.):	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
Debt Service	\$ -	\$ -	\$ 11,067	\$ -
Operating Contingency	-	-	-	-
Total Expenditures	<u>\$ 31,585,085</u>	<u>\$ 16,682,208</u>	<u>\$ 7,601,776</u>	<u>\$ 2,747,657</u>
Excess of Revenues Over, (Under) Expenditures				
Other Financing Uses:				
Transfers Out				
Total Other Financing Sources, (Uses)				
Net Change in Fund Balance				
Beginning Fund Balance				
Ending Fund Balance				

<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
\$ -	\$ 5,333,266	\$ 5,344,333	\$ 3,300,000	\$ 3,300,000	\$ (2,044,333)
-	-	-	1,000,000	470,000	470,000
<u>\$ 287,781</u>	<u>\$ 5,767,209</u>	<u>64,671,716</u>	<u>63,750,001</u>	<u>63,750,001</u>	<u>(921,716)</u>
		1,668,757	(1,600,000)	(1,600,000)	3,268,757
		(186,607)	(350,000)	(350,000)	163,393
		(186,607)	(350,000)	(350,000)	163,393
		1,482,150	(1,950,000)	(1,950,000)	3,432,150
		<u>5,606,399</u>	<u>4,700,000</u>	<u>4,700,000</u>	<u>906,399</u>
		<u>\$ 7,088,549</u>	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>	<u>\$ 4,338,549</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, 2015**

REVENUES:

Local Sources:

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	\$ 539,099	\$ 278,914	\$ -	\$ 198,088
Jr. High Programs	182,853	104,696	-	162,983
High School Programs	270,001	134,271	-	77,520
High School Extra-curricular	-	-	-	12,450
Other Special Programs	-	-	-	1,005
Total Instruction	<u>991,953</u>	<u>517,881</u>	<u>-</u>	<u>452,046</u>
Support Services:				
Pupils:				
Improvement of Instruction	-	-	-	-
Instructional Staff and Educational Media	-	-	-	-
School Administration - Office of the Principal	-	-	33,234	7,478
Business:				
Operation and Maintenance	-	-	-	2,381
Total Support Services	<u>-</u>	<u>-</u>	<u>33,234</u>	<u>9,859</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>\$ 991,953</u>	<u>\$ 517,881</u>	<u>\$ 33,234</u>	<u>\$ 461,905</u>

Excess of Revenues Over (Under) Expenditures

Beginning Fund Balance

Ending Fund Balance

		<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
		\$ 2,116,147	\$ 2,518,000	\$ 2,518,000	\$ (401,853)
		<u>2,116,147</u>	<u>2,518,000</u>	<u>2,518,000</u>	<u>(401,853)</u>
<u>Detail by Object</u>					
<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>				
\$ -	\$ -	1,016,101	1,093,000	1,093,000	76,899
4,489	-	455,021	432,000	432,000	(23,021)
-	-	481,792	681,000	681,000	199,208
-	-	12,450	11,000	11,000	(1,450)
-	-	1,005	3,000	3,000	1,995
<u>4,489</u>	<u>-</u>	<u>1,966,369</u>	<u>2,220,000</u>	<u>2,220,000</u>	<u>253,631</u>
-	-	-	20,000	20,000	20,000
-	-	-	45,000	45,000	45,000
-	-	40,712	20,000	20,000	(20,712)
-	-	2,381	80,000	80,000	77,619
-	-	43,093	165,000	165,000	121,907
-	-	-	78,000	78,000	78,000
-	90,163	90,163	110,000	110,000	19,837
<u>\$ 4,489</u>	<u>\$ 90,163</u>	<u>2,099,625</u>	<u>2,573,000</u>	<u>2,573,000</u>	<u>473,375</u>
		16,522	(55,000)	(55,000)	71,522
		191,012	55,000	55,000	136,012
		<u>\$ 207,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,534</u>

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, 2015**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Taxes-Current Levy	\$ 6,187,643	\$ 6,110,000	\$ 6,110,000	\$ 77,643
Taxes-Prior Levies	160,670	195,000	195,000	(34,330)
Earnings on Investments	8,762	15,000	15,000	(6,238)
Total Revenues	<u>6,357,075</u>	<u>6,320,000</u>	<u>6,320,000</u>	<u>37,075</u>
EXPENDITURES:				
Debt Service:				
Long-Term Debt Service:				
Redemption of Principal	3,235,000	3,235,000	3,235,000	-
Interest	<u>3,257,506</u>	<u>3,260,000</u>	<u>3,260,000</u>	<u>2,494</u>
Total Expenditures	<u>6,492,506</u>	<u>6,495,000</u>	<u>6,495,000</u>	<u>2,494</u>
Excess of Revenues Over (Under) Expenditures	(135,431)	(175,000)	(175,000)	39,569
Beginning Fund Balance	<u>262,814</u>	<u>250,000</u>	<u>250,000</u>	<u>12,814</u>
Ending Fund Balance	<u>\$ 127,383</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 52,383</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, 2015**

REVENUES:

From Local Sources:

Construction Excise Tax

Interest Income

Contributions and Donations

Settlements and Miscellaneous

From Intermediate Sources:

SB 1149 Energy Program

Total Revenues

Detail by Object

	SALARIES	EMPLOYEE BENEFITS	PURCHASED SERVICES	SUPPLIES & MATERIALS
EXPENDITURES:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services	-	-	-	-
Facilities Acquisition and Service Direction	26,613	10,237	2,952	4,114
Debt Service	-	-	32,771	-
Operating Contingency	-	-	-	-
Total Expenditures	<u>\$ 26,613</u>	<u>\$ 10,237</u>	<u>\$ 35,723</u>	<u>\$ 4,114</u>

Excess of Expenditures Over Revenues

Other Financing Sources and (Uses):

Proceeds from Issuance of Long-term Debt

Transfers Out

Net Other Financing Sources (Uses)

Excess of Expenditures Over Revenues and Other Financing Sources

Beginning Fund Balance

Ending Fund Balance

		<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
		\$ 359,323	\$ 350,000	\$ 350,000	\$ 9,323
		11,758	5,000	5,000	6,758
		135,578	450,000	450,000	(314,422)
		118,548	-	-	118,548
		-	525,000	525,000	(525,000)
		<u>625,207</u>	<u>1,330,000</u>	<u>1,330,000</u>	<u>(704,793)</u>
<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>				
\$ -	\$ -	-	50,000	50,000	50,000
-	-	-	50,000	50,000	50,000
81,651	-	125,567	2,390,000	2,390,000	2,264,433
-	6,844,722	6,877,493	6,805,000	6,805,000	(72,493)
-	-	-	250,000	250,000	250,000
<u>\$ 81,651</u>	<u>\$ 6,844,722</u>	<u>7,003,060</u>	<u>9,545,000</u>	<u>9,545,000</u>	<u>2,541,940</u>
		(6,377,853)	(8,215,000)	(8,215,000)	1,837,147
		6,233,791	6,950,000	6,950,000	(716,209)
		-	(1)	(1)	1
		<u>6,233,791</u>	<u>6,949,999</u>	<u>6,949,999</u>	<u>(716,208)</u>
		(144,062)	(1,265,001)	(1,265,001)	1,120,939
		1,558,853	1,500,001	1,500,001	58,852
		<u>\$ 1,414,791</u>	<u>\$ 235,000</u>	<u>\$ 235,000</u>	<u>\$ 1,179,791</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GRANTS FUND	COMMUNITY SERVICES FUND	STUDENT ACTIVITY FUND	FOOD SERVICE FUND	
ASSETS:					
Cash and Investments	\$ 250	\$ 400	\$ 1,328,135	\$ 150	\$ 1,328,935
Interfund Receivables	-	243,125	-	45,956	289,081
Accounts Receivable	-	4,193	-	48,874	53,067
Grants Receivable	72,862	-	-	-	72,862
Inventory of Supplies	-	-	-	50,259	50,259
Total Assets	\$ 73,112	\$ 247,718	\$ 1,328,135	\$ 145,239	\$ 1,794,204
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payables	\$ 72,849	\$ -	\$ -	\$ -	\$ 72,849
Accounts Payable	263	27,067	-	550	27,880
Unearned Revenue	-	220,651	-	94,430	315,081
Total Liabilities	73,112	247,718	-	94,980	415,810
Fund Balances:					
Nonspendable Inventory	-	-	-	50,259	50,259
Committed to:					
Student Activities	-	-	1,328,135	-	1,328,135
Total Fund Balances	-	-	1,328,135	50,259	1,378,394
Total Liabilities and Fund Balances	\$ 73,112	\$ 247,718	\$ 1,328,135	\$ 145,239	\$ 1,794,204

LAKE OSWEGO SCHOOL DISTRICT NO.7J**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GRANTS FUND	COMMUNITY SERVICES FUND	STUDENT ACTIVITY FUND	FOOD SERVICE FUND	
REVENUES:					
Local Sources:	\$ -	\$ 2,687,954	\$ 2,893,637	\$ 1,226,367	\$ 6,807,958
Intermediate Sources	114,000	-	-	-	114,000
State Sources	7,932	-	-	13,071	21,003
Federal Sources	1,408,951	-	-	363,172	1,772,123
Total Revenues	1,530,883	2,687,954	2,893,637	1,602,610	8,715,084
EXPENDITURES:					
Current:					
Instruction	745,070	-	3,133,332	-	3,878,402
Support Services	758,092	-	-	-	758,092
Enterprise and Community Services	-	2,828,492	-	1,533,567	4,362,059
Debt Service	81,634	56,494	-	70,410	208,538
Total Expenditures	1,584,796	2,884,986	3,133,332	1,603,977	9,207,091
Excess (Deficiency) of Revenues Over Expenditures	(53,913)	(197,032)	(239,695)	(1,367)	(492,007)
Other Financing Sources:					
Transfer In	53,913	131,327	-	1,367	186,607
Total Financing Sources	53,913	131,327	-	1,367	186,607
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	-	(65,705)	(239,695)	-	(305,400)
Increase (Decrease) in Inventories	-	-	-	41,750	41,750
Beginning Fund Balance	-	65,705	1,567,830	8,509	1,642,044
Ending Fund Balance	\$ -	\$ -	\$ 1,328,135	\$ 50,259	\$ 1,378,394

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, 2015**

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:				
High School Instruction	\$ 3,452	\$ 777	\$ -	\$ -
Special Programs:				
More Restrictive Programs	145,602	120,680	-	-
Less Restrictive Programs	95,459	34,111	899	-
Title I Programs	189,845	122,152	1,535	11,905
Other Programs	2,331	517	1,230	-
Total Instruction	<u>436,689</u>	<u>278,237</u>	<u>3,664</u>	<u>11,905</u>
Support Services:				
Students:				
Nursing Services	34,498	11,816	-	-
Psychological Services	89,132	45,383	-	-
Service Direction, Student Support	251,903	133,129	-	-
Instructional Staff:				
Improvement of Instruction	58,603	31,619	72,554	-
Student Assessment	-	-	-	-
Central Activities:				
Indirect Costs	-	-	-	-
Total Support Services	<u>434,136</u>	<u>221,947</u>	<u>72,554</u>	<u>-</u>
Debt Service - Interest	-	-	-	-
Total Expenditures	<u>\$ 870,825</u>	<u>\$ 500,184</u>	<u>\$ 76,218</u>	<u>\$ 11,905</u>

Excess of Revenues Over Expenditures

Other Financing Sources:
 Transfer In

Beginning Fund Balance

Ending Fund Balance

		ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
		\$ -	\$ 4,000	\$ 4,000	\$ (4,000)
		114,000	46,000	46,000	68,000
		7,932	180,000	180,000	(172,068)
		1,408,951	1,821,000	1,821,000	(412,049)
		1,530,883	2,051,000	2,051,000	(520,117)
Detail by Object					
CAPITAL OUTLAY	OTHER OBJECTS				
\$ -	\$ -	4,229	-	-	(4,229)
-	-	266,282	-	-	(266,282)
-	4,669	135,138	925,000	925,000	789,862
-	9,906	335,343	325,000	325,000	(10,343)
-	-	4,078	-	-	(4,078)
-	14,575	745,070	1,250,000	1,250,000	504,930
-	-	46,314	-	-	(46,314)
-	-	134,515	-	-	(134,515)
-	26,480	411,512	411,000	411,000	(512)
-	2,975	165,751	250,000	250,000	84,249
-	-	-	12,500	12,500	12,500
-	-	-	42,500	42,500	42,500
-	29,455	758,092	716,000	716,000	(42,092)
-	81,634	81,634	85,000	85,000	3,366
\$ -	\$ 125,664	1,584,796	2,051,000	2,051,000	466,204
		(53,913)	-	-	(53,913)
		53,913	-	-	53,913
		-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2015**

REVENUES:	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
Local Sources, Community Service Activities:				
Community Services Tuition	\$ 1,093,187	\$ 1,371,000	\$ 1,371,000	\$ (277,813)
Extended Child Care Fees	1,259,115	1,260,000	1,260,000	(885)
Driver's Ed. Fees	75,710	90,000	90,000	(14,290)
Pool Fees	138,995	150,000	150,000	(11,005)
Rent From School Facility	119,608	110,000	110,000	9,608
Miscellaneous	1,339	10,000	10,000	(8,661)
Total Revenues	2,687,954	2,991,000	2,991,000	(303,046)
EXPENDITURES:				
Enterprise and Community Services				
Other Enterprise:				
Community Recreation:				
Salaries	614,723	690,000	690,000	75,277
Employee Benefits	148,773	150,000	150,000	1,227
Purchased Services	270,840	350,000	350,000	79,160
Supplies & Materials	276,123	345,000	345,000	68,877
Capital Outlay	-	5,000	5,000	5,000
Other Objects	6,836	10,000	10,000	3,164
Swim Pool:				
Salaries	82,642	130,000	130,000	47,358
Employee Benefits	30,845	35,000	35,000	4,155
Purchased Services	303,483	160,000	160,000	(143,483)
Supplies & Materials	20,215	20,000	20,000	(215)
Capital Outlay	-	150,000	150,000	150,000
Other Objects	354	1,000	1,000	646
Custody and Care of Children:				
Salaries	618,527	640,000	640,000	21,473
Employee Benefits	352,379	385,000	385,000	32,621
Purchased Services	63,576	40,000	40,000	(23,576)
Supplies & Materials	39,176	80,000	80,000	40,824
Capital Outlay	-	5,000	5,000	5,000
Total Enterprise and Community Services	2,828,492	3,196,000	3,196,000	367,508
Debt Service	56,494	70,000	70,000	13,506
Total Expenditures	2,884,986	3,266,000	3,266,000	381,014
Excess (Deficiency) of Revenues Over Expenditures	(197,032)	(275,000)	(275,000)	77,968
Other Financing Sources:				
Transfers In	131,327	275,000	275,000	(143,673)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	(65,705)	-	-	(65,705)
Beginning Fund Balance	65,705	-	-	65,705
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, 2015**

REVENUES:	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
Local Sources:				
Community Services Activities	<u>\$ 2,893,637</u>	<u>\$ 2,850,000</u>	<u>\$ 2,850,000</u>	<u>\$ 43,637</u>
Total Revenues	<u>2,893,637</u>	<u>2,850,000</u>	<u>2,850,000</u>	<u>43,637</u>
EXPENDITURES:				
Instruction:				
Regular Programs:				
Elementary-Extra-curricular:				
Supplies & Materials	121,046	225,000	225,000	103,954
Jr. High-Extra-curricular:				
Supplies & Materials	507,710	500,000	500,000	(7,710)
High School Extra-curricular:				
Supplies & Materials	<u>2,504,576</u>	<u>2,325,000</u>	<u>2,325,000</u>	<u>(179,576)</u>
Total Instruction	<u>3,133,332</u>	<u>3,050,000</u>	<u>3,050,000</u>	<u>(83,332)</u>
Excess (Deficiency) of Revenues Over Expenditures	(239,695)	(200,000)	(200,000)	(39,695)
Beginning Fund Balance	<u>1,567,830</u>	<u>1,750,000</u>	<u>1,750,000</u>	<u>(182,170)</u>
Ending Fund Balance	<u>\$ 1,328,135</u>	<u>\$ 1,550,000</u>	<u>\$ 1,550,000</u>	<u>\$ (221,865)</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, 2015**

REVENUES:	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
Local Sources - Food Service:				
Food Service Sales	\$ 1,166,027	\$ 1,210,000	\$ 1,210,000	\$ (43,973)
Banquets & Miscellaneous	60,340	100,000	100,000	(39,660)
Total Local Sources - Food Service	1,226,367	1,310,000	1,310,000	(83,633)
State Sources:				
State School Support - Lunch Match	13,071	20,000	20,000	(6,929)
Federal Sources:				
National School Lunch Reimbursement	299,484	340,000	340,000	(40,516)
USDA Commodities	63,688	75,000	75,000	(11,312)
Total Federal Sources	363,172	415,000	415,000	(51,828)
Total Revenues	1,602,610	1,745,000	1,745,000	(142,390)
EXPENDITURES:				
Enterprise and Community Services:				
Food Services:				
Salaries	478,494	530,000	530,000	51,506
Employee Benefits	236,565	240,000	240,000	3,435
Purchased Services	32,343	35,000	35,000	2,657
Supplies & Materials	780,970	885,000	885,000	104,030
Capital Outlay	-	10,000	10,000	10,000
Other Objects	5,195	5,000	5,000	(195)
Total Enterprise and Community Services	1,533,567	1,705,000	1,705,000	171,433
Debt Service - Other Objects	70,410	110,000	110,000	39,590
Total Expenditures	1,603,977	1,815,000	1,815,000	211,023
Excess (Deficiency) of Revenues Over Expenditures	(1,367)	(70,000)	(70,000)	68,633
Other Financing Sources:				
Transfer In	1,367	75,000	75,000	(73,633)
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures	-	5,000	5,000	(5,000)
Beginning Fund Balance	-	65,000	65,000	(65,000)
Ending Fund Balance	\$ -	\$ 70,000	\$ 70,000	\$ (70,000)

OTHER FINANCIAL SCHEDULES

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED -
GENERAL FUND**

YEAR ENDED JUNE 30, 2015

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2014	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED June 30, 2015
Current:						
2014-15	\$ 38,189,914	\$ 979,503	\$ (54,487)	\$ 14,562	\$ 36,281,929	\$ 888,558
Prior Years:						
2013-14	881,679	(270)	(15,930)	35,637	458,348	443,309
2012-13	494,453	(19)	(2,505)	37,484	211,912	317,540
2011-12	352,516	(44)	(3,365)	49,023	190,565	207,654
2010-11	205,377	(36)	(3,145)	27,472	89,150	140,589
2009-10	146,881	(1)	(3,843)	8,535	23,756	127,817
2008-09	25,550	-	(3,341)	7,313	18,023	11,499
2007-08	8,841	-	(847)	1,226	2,749	6,471
2006-07	5,161	-	(201)	720	1,473	4,208
2005-06	4,193	-	(186)	754	1,461	3,299
2004-05	2,905	-	(201)	283	519	2,468
2003-04	2,409	-	(156)	459	804	1,908
2002-03	2,050	-	(164)	449	758	1,577
2001-02	2,236	-	(164)	385	628	1,829
2000-01	1,508	-	(158)	161	258	1,254
1999-00	823	-	(74)	16	31	733
1998-99	791	-	(12)	86	130	734
1997-98	505	-	(2)	136	205	434
1996-97	372	-	(4)	60	88	340
1995-96	420	-	(12)	4	5	406
1994-95 & Prior	1,555	-	-	-	-	1,555
Total Prior	2,140,226	(371)	(34,312)	170,201	1,000,863	1,275,623
Total	\$ 40,330,140	\$ 979,132	\$ (88,799)	\$ 184,763	\$ 37,282,791	\$ 2,164,181

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurers Above	\$ 37,282,791
Accrual of Current Receivables:	
June 30, 2014	(406,770)
June 30, 2015	308,732
June 30, 2014 Cash With County	206,967
June 30, 2015 Cash With County	(160,955)
Taxes in Lieu of Property Taxes	510
Total Revenue	\$ 37,231,275

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED -
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2015**

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2014	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED June 30, 2015
Current:						
2013-14	\$ 6,500,694	\$ 166,733	\$ (9,273)	\$ 2,478	\$ 6,175,930	\$ 151,235
Prior Years:						
2013-14	160,640	(49)	(2,902)	6,493	83,512	80,768
2012-13	89,923	(3)	(457)	6,816	38,537	57,750
2011-12	62,523	(8)	(599)	8,694	33,798	36,829
2010-11	37,347	(6)	(574)	4,995	16,210	25,566
2009-10	33,016	(0)	(864)	1,918	5,339	28,732
2008-09	5,680	(0)	(742)	1,626	4,006	2,557
2007-08	1,947	-	(187)	270	605	1,425
2006-07	1,183	-	(46)	165	338	965
2005-06	1,064	-	(47)	191	371	837
2004-05	765	-	(53)	75	137	650
2003-04	667	-	(43)	127	222	528
2002-03	543	-	(43)	119	201	418
2001-02	588	-	(43)	101	164	481
2000-01	115	-	(12)	12	20	95
1999-00	192	-	(17)	4	7	171
1998-99	202	-	(3)	22	33	188
1997-98	134	-	(1)	36	54	115
1996-97	43	-	(0)	7	10	40
1995-96	47	-	(1)	0	1	46
1994-95 & Prior	117	-	-	-	-	117
Total Prior	396,737	(67)	(6,635)	31,671	183,565	238,275
Total	\$ 6,897,430	\$ 166,666	\$ (15,908)	\$ 34,149	\$ 6,359,495	\$ 389,511

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurers Above	\$ 6,359,495
Accrual of Current Receivables:	
June 30, 2014	(74,939)
June 30, 2015	53,982
June 30, 2014 Cash With County	37,677
June 30, 2015 Cash With County	(27,988)
Taxes in Lieu of Property Taxes	86
Total Revenue	\$ 6,348,313

LAKE OSWEGO SCHOOL DISTRICT NO.7J

SUPPLEMENTAL INFORMATION - AS REQUIRED BY THE OREGON DEPARTMENT OF EDUCATION,
FORM 581-3211-C (Rev 4/07)
YEAR ENDED JUNE 30, 2015

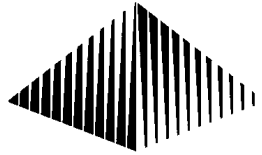
A. Energy Bill for Heating - All Funds

<u>Function</u>		<u>Objects 325 and 326</u>
2540	\$	949,091
2550		-

**B. Replacement of Equipment - General Fund - All except excluded
Functions - Object 542**

239,247

COMPLIANCE SECTION



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
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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 31, 2015.

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 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*.

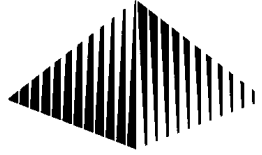
Purpose of this Report

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

December 31, 2015



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 PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

School Board
Lake Oswego School District
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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS
December 31, 2015

LAKE OSWEGO SCHOOL DISTRICT NO.7J
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<u>Source/Grant Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program or Award Amount</u>	<u>Expenditures (Budgetary Basis)</u>
U.S. DEPARTMENT OF EDUCATION:				
Passed Through Oregon Department of Education:				
Title IA	84.010	32617	\$ 368,198	\$ 341,854
Title IA	84.010	28160	365,650	<u>10,901</u>
Subtotal Title I, Part A				<u>352,755</u>
IDEA Part B, Section 611	84.027	33306	972,697	856,533
IDEA Part B, Section 611	84.027	28479	909,774	66,102
IDEA Enhancement	84.027	33733	7,957	7,957
IDEA Enhancement	84.027	29807	7,957	7,957
IDEA Extended Assessment	84.027	35391	441	441
IDEA Extended Assessment	84.027	31853	900	900
IDEA SPR & I	84.027	33482	3,356	<u>3,356</u>
Subtotal Special Education - Grants to States				943,246
IDEA Part B, Section 619	84.173	28878	3,556	2,555
IDEA Part B, Section 619	84.173	33482	3,775	<u>3,775</u>
Subtotal Special Education - Preschool Grants				<u>6,330</u>
Subtotal Special Education Cluster (IDEA)				<u>949,576</u>
Title IIA Improving Teacher Quality	84.367	28677	117,990	29,396
Title IIA Improving Teacher Quality	84.367	32941	117,785	<u>77,224</u>
Subtotal Title IIA Improving Teacher Quality				<u>106,620</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u><u>1,408,951</u></u>
U.S. DEPARTMENT OF AGRICULTURE:				
Passed Through Oregon Department of Education:				
National School Lunch Program - Breakfast	10.553	N/A	N/A	29,740
National School Lunch Program - Lunch	10.555	N/A	N/A	269,744
National School Lunch Program - Commodities	10.555	N/A	N/A	<u>63,688</u>
Subtotal Child Nutrition Cluster				<u>363,172</u>
Passed Through Clackamas County				
Schools and Roads - Grants to States	10.665	N/A	N/A	<u>34,241</u>
Subtotal Forest Service Schools and Roads Cluster				<u>34,241</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u><u>397,413</u></u>
TOTAL FEDERAL ASSISTANCE				<u><u>\$ 1,806,364</u></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, 2015

PURPOSE OF THE SCHEDULE

The accompanying schedule of expenditures of federal awards (the "Schedule") is a supplementary schedule to the Lake Oswego School District No.7J's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the District, it is not intended to and does not present either the financial position, changes in fund balances, or the operating funds' revenues, expenditures and changes of the District.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Financial Assistance

Pursuant to the Single Audit Act Amendments of 1996 and OMB Circular A-133, 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, nonmonetary 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

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the Lake Oswego School District No.7J are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. 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. Additionally, the Schedule includes all federal programs administered by the District for the year ended June 30, 2015.

Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded as received in cash or on the accrual basis where measurable and available. Expenditures are recorded when the liability is incurred.

LAKE OSWEGO SCHOOL DISTRICT NO.7J
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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 that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major 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 programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of major program(s):

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

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

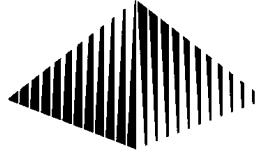
None.

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
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, 2015, and have issued our report thereon dated December 31, 2015.

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
December 31, 2015

STATISTICAL SECTION

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

	2011	2012	2013	2014	2015
ASSETS:					
Cash	\$ 14,298,929	\$ 17,665,560	\$ 12,287,821	\$ 12,192,925	\$ 13,858,303
Receivables:					
Taxes	1,963,725	2,259,452	2,260,279	2,140,226	2,164,181
Accounts	529,212	479,937	566,959	505,966	442,622
Prepays	27,410	31,174	51,070	42,820	35,097
Inventory of Supplies	142,129	77,059	89,920	73,192	68,990
Total Assets	\$ 16,961,405	\$ 20,513,182	\$ 15,256,049	\$ 14,955,129	\$ 16,569,193
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Interfund Payables	\$ 1,514,273	\$ 805,063	\$ 1,173,890	\$ 63,844	\$ 673,671
Intergovernmental Payable	84,481	134,947	151,976	196,297	246,678
Accrued Payroll and Benefits Payable	4,178,136	6,093,376	6,457,045	6,593,033	5,927,437
Accounts Payable	2,732,913	1,932,547	695,402	618,409	697,909
Unearned Revenue	48,261	53,059	38,352	73,636	10,510
Total Liabilities	8,558,064	9,018,992	8,516,665	7,545,219	7,556,205
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue-Taxes	1,774,802	2,084,164	1,921,882	1,730,319	1,855,449
FUND BALANCES:					
Nonspendable Prepays	-	31,174	51,070	42,820	35,097
Nonspendable Inventory	142,129	77,059	89,920	73,192	68,990
Unassigned	6,486,410	9,301,793	4,676,512	5,563,579	7,053,452
Total Fund Balances	6,628,539	9,410,026	4,817,502	5,679,591	7,157,539
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,961,405	\$ 20,513,182	\$ 15,256,049	\$ 14,955,129	\$ 16,569,193

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

	2011	2012	2013	2014	2015
REVENUES:					
Local Sources:					
Taxes	\$ 33,202,301	\$ 33,371,731	\$ 33,527,166	\$ 34,483,139	\$ 37,231,275
Earnings on Investments	92,684	103,513	120,720	107,947	95,902
City of Lake Oswego Support	-	2,000,000	-	-	-
Other Local Sources	2,385,719	2,459,584	2,799,376	1,858,774	1,852,714
Intermediate Sources	275,995	348,881	367,765	342,860	525,574
State Sources	15,814,633	19,165,725	18,176,583	22,889,505	24,461,183
Federal Sources	3,554,609	1,490,620	35,202	34,390	34,241
Total Revenues	55,325,941	58,940,054	55,026,812	59,716,615	64,200,889
EXPENDITURES:					
Current:					
Instruction	32,518,900	31,892,417	34,089,602	35,910,750	38,361,592
Support Services	18,512,846	19,236,503	19,908,798	19,786,751	20,678,010
Capital Outlay	273,748	2,017,739	2,757,903	76,010	287,781
Debt Service:					
Principal	867,272	2,503,190	957,677	989,042	3,118,752
Interest	1,791,100	1,951,636	1,920,713	2,055,373	2,225,581
Total Expenditures	53,963,866	57,601,485	59,634,693	58,817,926	64,671,716
Excess (Deficiency) of Revenues Over Expenditures	1,362,075	1,338,569	(4,607,881)	898,689	(470,827)
OTHER FINANCING SOURCES (USES):					
Proceeds From Refunding of Long- Term Debt	-	1,660,000	-	-	2,137,209
Compensation for Loss of Capital Assets	-	-	25,100	7,875	2,375
Transfers Out	(37,216)	(152,012)	(22,604)	(27,747)	(186,607)
Total Other Financing Sources (Uses)	(37,216)	1,507,988	2,496	(19,872)	1,952,977
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	1,324,859	2,846,557	(4,605,385)	878,817	1,482,150
Increase (Decrease) in Inventories	31,386	(65,070)	12,861	(16,728)	(4,202)
FUND BALANCE, Beginning of Year	5,272,294	6,628,539	9,410,026	4,817,502	5,679,591
FUND BALANCE, End of Year	\$ 6,628,539	\$ 9,410,026	\$ 4,817,502	\$ 5,679,591	\$ 7,157,539