

***LAKE OSWEGO SCHOOL
DISTRICT NO. 7J
CLACKAMAS COUNTY, OREGON
FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2013***

Prepared by:
Business Services Department
* * * * *

Stuart Ketzler
Director of Finance

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
JUNE 30, 2013

BOARD OF DIRECTORS

<u><i>Name</i></u>	<u><i>Title</i></u>	<u><i>Term Expires</i></u>
John Wendland	Chair	June 30, 2013
Patti Zebrowski	Member	June 30, 2015
Teri Oelrich	Member	June 30, 2013
Linda Brown	Member	June 30, 2013
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. William Korach, Superintendent

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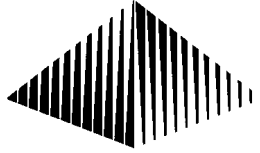
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GROVE, MUELLER & SWANK, P.C.

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, 2013, 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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages 4 through 12), the budgetary comparison information (pages 42 and 43) and the schedule of finding progress for other postemployment benefits (page 44) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required MD&A and 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 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

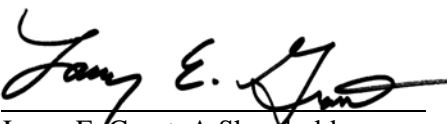
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2014, 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 January 3, 2014, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

By: 
Larry E. Grant, A Shareholder
January 3, 2014

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, 2013.

Financial Highlights

- The net position of Lake Oswego School District in the government-wide financial statements was \$29,921,599 at June 30, 2013. Of this amount, \$38,944,268 was invested in capital assets, net of related debt, \$647,573 was restricted to the payment of the District's general obligation bonded debt, and the remainder (\$12,670,242) was unrestricted.
- Net position decreased by \$3,014,155 from the prior year, due primarily to a modest increase in expenses and an expected decline in state resources.
- At June 30, 2013 the District's governmental funds reported combined ending fund balances of \$8,069,183. \$1,181,864 of this fund balance was restricted for capital projects and \$290,256 was restricted for debt service and therefore not available to meet the general obligations of the District.
- At June 30, 2013, the General Fund had an unassigned fund balance of \$4,676,512, a decrease of \$4,625,281 from the prior year's unassigned fund balance of \$9,301,793. This decrease was expected due to the decline in state resources and increased expenditures. The District purposefully built its fund balance through cost reductions and other measures implemented in response to the 2008-09 recession. In response to continued declines in state funding, the District aggressively reduced costs heading into the 2009-10, 2010-11, and 2011-12 fiscal years, and again into 2012-13. 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 assets and liabilities, 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 Lake Oswego School 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, Lake Oswego School District has governmental activities, which include instruction, supporting services,

facilities acquisition, community services, and debt service. Lake Oswego School 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 Lake Oswego School 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*.

Lake Oswego School District maintains four different individual 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.

Lake Oswego School 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 basic governmental fund financial statements can be found on pages 15 - 18 of this report.

Notes To The 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 - 41 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, net position was \$26,921,599 at the close of the most recent fiscal year. A condensed Statement of Net Position for the current and prior fiscal year-end follows:

	Total School District Governmental Activities	
	<u>2013</u>	<u>2012</u>
Assets		
Current and Other Assets	\$ 19,234,571	\$ 26,822,488
Net Prepaid Pension Obligations and Costs	23,688,350	25,267,677
Net Capital Assets	<u>113,519,995</u>	<u>113,140,422</u>
Total Assets	<u>156,442,916</u>	<u>165,230,587</u>
Liabilities		
Other Liabilities	9,695,953	11,139,881
Long-Term Debt Obligations	<u>119,825,364</u>	<u>124,154,952</u>
Total Liabilities	<u>129,521,317</u>	<u>135,294,833</u>
Net Position		
Net Investment in Capital Assets	38,944,268	35,732,424
Restricted	647,573	716,187
Unrestricted	<u>(12,670,242)</u>	<u>(6,512,857)</u>
Total Net Position	<u>\$ 26,921,599</u>	<u>\$ 29,935,754</u>

Current and other assets and long-term obligations have increased due primarily to recovery of certain costs incurred in repairs of Lake Oswego High School and the accumulation of resources in preparation for continuing declines in state funding in the wake of the 2008-09 economic recession. Net prepaid obligations and costs decreased due to the normal amortization of these items. These assets represent the unamortized portion of the District's prepaid pension obligations and bond issuance costs recorded as a result of the financing of a portion of the District's PERS Unfunded Actuarial Liability (UAL). Net capital assets have increased due primarily to the ongoing improvements to correct deficiencies in the original construction of Lake Oswego High School as well as certain limited repairs to Lakeridge High School, as well as a number of smaller improvement projects at most schools .

The District's other liabilities have increased due primarily to increases in its accrued payroll and related liabilities, and other postemployment benefit obligations. 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 and improvements, 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, the District's net position decreased by \$3,014,155 during the current fiscal year, which was due primarily to slightly higher expenses and lower state revenues as discussed above.

At the end of the current fiscal year, Lake Oswego School District's net position - unrestricted shows a deficit balance of (\$12,670,242). 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. 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 Lake Oswego School District.

The revenues and expenses shown below explain changes in net position for the fiscal years ending June 30, 2013 and 2012.

Changes in Net Position	Total School District Governmental Activities	Percentage of Total	Total School District Governmental Activities	Percentage of Total
	<u>2013</u>		<u>2012</u>	
Revenues				
Program Revenues				
Charges for Services	\$ 8,229,646	11.39%	\$ 8,294,066	10.10%
Grants and Contributions	5,004,504	6.93%	14,399,784	17.54%
Total Program Revenues	<u>13,234,150</u>	<u>18.32%</u>	<u>22,693,850</u>	<u>27.64%</u>
General Revenues				
Property Taxes	39,435,615	54.58%	39,660,778	48.30%
State Revenue Sharing	18,190,045	25.17%	19,178,186	23.35%
Other Federal, State and Local Sources	70,487	0.10%	70,001	0.09%
Investment Earnings	132,825	0.18%	127,707	0.16%
Recovery of Prior Year Expenses & Other	1,194,585	1.64%	389,237	0.47%
Total General Revenues	<u>59,023,557</u>	<u>81.68%</u>	<u>59,425,909</u>	<u>72.36%</u>
Total Revenues	<u>72,257,707</u>	<u>100.00%</u>	<u>82,119,759</u>	<u>100.00%</u>
Expenses				
Instruction	39,616,387	52.63%	38,094,844	51.42%
Support Services	20,834,827	27.68%	20,171,847	27.22%
Community Services	4,045,273	5.37%	4,233,638	5.71%
Facilities Acquisition	82,669	0.11%	1,042,562	1.41%
Depreciation and Amortization	4,594,428	6.10%	4,351,199	5.87%
Interest on Long-Term Debt	6,098,278	8.11%	6,208,682	8.37%
Total Expenses	<u>75,271,862</u>	<u>100.00%</u>	<u>74,102,772</u>	<u>100.00%</u>
Change in Net Position	(3,014,155)		8,016,987	
Net Position - Beginning	29,935,754		21,918,767	
Net Position - Ending	<u><u>\$ 26,921,599</u></u>		<u><u>\$ 29,935,754</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. This was reduced to 72.36% in 2011-12 due to significant grants and contributions in 2011-12. Property taxes and State School Fund combined account for 98% and 99% of general revenues and 80% and 71% of total revenues for the 2013 and 2012 fiscal years, respectively. The 71% for the 2012 fiscal year is lower than usual due to much higher than normal grants and contributions in that fiscal year. Charges for services are only 11.39% and 10.10% of total revenues for the 2013 and 2012 fiscal years, respectively, and are comprised of the following items for which it is appropriate to charge tuition or fees:

	<u>2013</u>	<u>2012</u>
• Community services charges for enrichment and extended day care programs	\$ 2,559,201	\$ 2,481,988
• Food services charges not only for lunch and breakfast, but also for catering and contract services	1,244,499	1,234,127
• Tuition and fees are charged for participation in various extra-curricular activities and out-of-district students	<u>4,425,946</u>	<u>4,577,951</u>
Total Charges for Services:	<u><u>\$ 8,229,646</u></u>	<u><u>\$ 8,294,066</u></u>

Food service charges increased in fiscal year 2013 due to higher participation, which follows several years of decline which we believe were directly attributable to the recession. Tuition and fees decreased slightly from the prior year. Grants and contributions represent 6.93% and 17.54% of total revenues for the 2013 and 2012 fiscal years, respectively. This category decreased significantly in fiscal year 2013 due mainly to prior year recovery of \$6.7 million in capital repair costs incurred for Lake Oswego High School, as well as \$2 million in support from the City of Lake Oswego. Also included in this category is \$380,784 and \$386,060 for federal reimbursement and subsidy under the school lunch program for the 2013 and 2012 fiscal years, respectively. Other federal, state, and other grants for designated programs totaled \$1,553,182 and \$1,703,921, respectively. Fiscal year 2012 was higher due primarily to additional grants provided as federal stimulus funds. The balance is comprised primarily of contributions through the Lake Oswego School District Foundation, which was \$1.7 million in fiscal year 2013, down from the record \$2.1 million contributed in fiscal year 2012, 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 50% or more of the total expenses of \$75,271,862 and \$74,102,772 for the 2013 and 2012 fiscal years, respectively. In addition, approximately half of the costs in supporting services relate to students, instructional staff and school administration.

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2013	2013	2012	2012
Instruction	\$ 39,616,387	\$ 32,744,834	\$ 38,094,844	\$ 28,807,900
Support Services	20,834,827	19,712,806	20,171,847	18,819,963
Community Services	4,045,273	(139,211)	4,233,638	131,463
Facilities Acquisition	82,669	(789,949)	1,042,562	(6,737,543)
Depreciation and Amortization	4,594,428	4,594,428	4,351,199	4,351,199
Interest on Long-Term Debt	6,098,278	5,914,804	6,208,682	6,035,940
Total	\$ 75,271,862	\$ 62,037,712	\$ 74,102,772	\$ 51,408,922

Total and net costs in instruction, support services, and community services increased due to normal inflation and minor growth in certain programs. Facilities acquisition expenses decreased following higher costs incurred in fiscal year 2012 in relation to the capital repairs required at Lake Oswego High School. Depreciation and amortization costs increased \$243,229 due to increases in depreciable assets following the repairs at Lake Oswego High School. Interest on long-term debt expenses decreased \$110,404 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, 2013, the District's governmental funds reported combined ending fund balances of \$8,069,183. Of this amount, \$1,181,864 was related to debt-financed capital projects and is not available to meet general obligations of the District. Additionally, \$290,256 is restricted for payment of the District's general obligation bonded debt, and \$173,874 is nonspendable inventory and prepaids for use by various funds. While \$1,746,677 is the fund balances 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 \$4,676,512 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 \$4,676,512, a decrease of \$4,625,281 from the prior year. This decrease was due primarily to higher expenditures and lower state revenues.

The Debt Service Fund had an ending fund balance of \$290,256 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 \$1,181,864 for capital projects in progress that will be completed or begin in fiscal year 2014, or for payment of certain long-term obligations.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were composed of two budget transfers and a supplemental appropriation. The first transfer was from the Capital Projects Fund’s facilities acquisition appropriation category to the debt service appropriation category for \$1.1 million. The second was a \$300,000 reallocation from the General Fund’s operating contingency to support services. The supplemental appropriation increased the General Fund’s support services appropriation category by \$1 million.

Capital Asset and Debt Administration

Capital assets. The District’s investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$113,519,995, an increase of \$379,573 over the prior year amount of \$113,140,422 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, equipment and furniture, and construction in progress. The District’s investment in capital assets for the current fiscal year increased by .34% due to the ongoing improvements at both high schools, offset in part by regular annual depreciation.

Capital Assets (Net of Depreciation)	Governmental Activities		Percentage Change
	Total School District		
	2013	2012	
Land	\$ 5,242,246	\$ 5,242,246	0.00%
Buildings and Improvements	106,550,779	103,735,378	2.71%
Vehicles, Equipment and Furniture	1,587,161	742,654	113.71%
Construction in Progress	139,809	3,420,144	-95.91%
Total	\$ 113,519,995	\$ 113,140,422	0.34%

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

- Major repairs to correct defects in Lake Oswego High School were commenced at the end of the 2009-2010 school year and were concluded during the 2012 fiscal year. A repair project to correct certain issues at Lakeridge High School was undertaken late in fiscal year 2012 and was completed early in fiscal year 2013. In addition to normal ongoing smaller capital projects, two artificial turf field replacement projects commenced late in fiscal year 2012 and were completed early in the 2013 fiscal year.
- 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 \$117,357,602, which does not include its other postemployment benefit obligation liability of \$2,467,762. Of the total debt, \$106,775,288 is comprised of general obligation debt and pension obligation debt net of unamortized premiums and

discounts, \$9,892,591 comprises debts backed by the full faith and credit of the District and \$689,723 comprises debt for future stipend payments to former employees retired under provisions of certain bargained agreements. The District's total debt decreased by \$4,570,751 during the current fiscal year due to normal scheduled principal payments, compared to a decrease of \$3,318,126 in the prior fiscal year.

	Outstanding Long-Term Debt		Percentage Change
	Total School District		
	2013	2012	
Bonded Debt	\$ 106,775,288	\$ 110,004,873	-3.0%
Other Long-Term Debt	10,582,314	11,923,480	-12.7%
Total	\$ 117,357,602	\$ 121,928,353	-3.9%

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, 2013.

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 \$642 million, calculated as 7.95% of Real Market Value of \$8.08 billion. This limit is significantly in excess of the District's outstanding general obligation debt of \$65,865,000.

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 relies 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 and, as with the recession of 2002, has caused funding shortfalls for the State and agencies that rely on state funding, including public schools. State funding for K-12 public schools in Oregon for the 2009-11 biennium, with triggers, was at one time budgeted to be over \$6.3 billion. With cuts made in response to declining state income tax receipts, final state funding for K-12 public schools for the 2009-11 biennium was \$5.7 billion, which included approximately \$200 million in federal stimulus funds. State K-12 funding for the 2011-13 biennium was \$5.7 billion, with a slightly larger distribution in the first half of that biennium. Additionally, largely as a result of the 2008-09 recession, the District's PERS employer rates for the majority of its employees increased from 0.29% to 8.86% of subject wages on July 1, 2011, with another modest increase effective July 1, 2013. To further aggravate matters, and unlike the 2002 recession, recovery from the 2008-09 recession has been very slow. While slow, the Oregon economy has been steadily improving for over a year and K-12 state funding for the 2013-15 biennium was approved at \$6.55 billion during the 2013 regular legislative session. A special session of the legislature held in October 2013 increased K-12 state funding to \$6.65 billion, though the extra revenues from that increase will not be distributed until the 2014-15 fiscal year. With that as context, the following additional observations regarding economic factors and the budget for the next year are provided to highlight noteworthy issues:

- In an effort to reduce costs, the District implemented drastic measures in each of the 2003, 2004 and 2005 fiscal years and again at the beginning of fiscal years 2010, 2011, 2012 and 2013. The entire transportation staff of 40 people was laid off in June 2003 and a contract for transportation services was entered into with First Student (formerly Laidlaw). The District's bus fleet was also sold at that time for \$1,000,000 to Laidlaw as part of this contract. Staffing levels were reduced at the end of each fiscal year from 2002-03 to 2004-05, textbook adoptions were deferred, and other cost containment measures were also implemented. Essentially all ongoing cost reduction measures enacted during these periods are still in effect, though a limited number of licensed staff were added back during the 2007, 2008, 2009 and 2013 fiscal years. In fiscal year 2010, in addition to other staff reductions and voluntary wage freezes agreed to by all employee groups (amending their contractual agreements for cost-of-living wage increases), approximately 20 teaching positions were eliminated and class sizes were generally increased on average by approximately 1 to 2 students per class. In fiscal year 2011, 14 additional teaching positions were eliminated, as well as other positions, and all employees agreed to a minimum of 3 unpaid days. The target ratio for the number of students per classroom teacher was raised by one at all grade levels for fiscal year 2014, allowing the elimination of approximately 4 teaching positions. Even with that increase in the District's target ratio, the District's fiscal year 2014 average class sizes are still among the lowest in the Portland Metropolitan area, with an overall average class size of less than 25 at the elementary school level, 28 at the junior high school level, and 29 at the high school level.
- The most significant cost-reduction measure implemented within the past two 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 over \$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, and \$1.7 million for fiscal year 2013. The Foundation has raised \$1.6 million for fiscal year 2014. 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 \$5.91 million in fiscal year 2013 and \$6.67 million in fiscal year 2012, down from \$7.24 million in fiscal year 2011 and \$7.45 million in fiscal year 2010. Fiscal year 2010 was 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

continue to be lower than amounts previously realized until real market values begin to rebound at a rate higher than normal annual increases in assessed values.

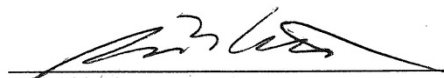
- Subsequent to year end, and as more fully explained in the Subsequent Events footnote, the District settled its lawsuit against former legal representation in exchange for receipt of a \$1.5 million payment. This will still leave the District approximately \$5 million short of full recovery of damages it incurred in connection with its two high school capital projects, but this shortfall is presently covered by a financing that matures June 3, 2015, so it does not necessarily impact the District's fiscal year 2014 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 expired June 30, 2013. Both associations approved new three-year contracts that expire June 30, 2016 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.
- Administration and the school board are actively involved in strategic planning to continue to lead the District in a fiscally responsible manner. Long-term strategic financial 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.



William Korach
Superintendent/Clerk



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, 2013

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>
ASSETS:		
Cash and Cash Equivalents	\$ 14,666,636	\$ -
Intergovernmental Receivables	-	151,976
Property Taxes and Other Receivables	4,394,061	11,067
Prepays	51,070	-
Inventories	122,804	-
Prepaid Pension Obligations, Net of Amortization of \$15,590,458	23,383,606	-
Bond Issuance Costs, Net of Amortization of \$202,798	304,744	-
Capital Assets Not Being Depreciated	5,382,055	-
Capital Assets, Net of Accumulated Depreciation of \$38,407,814	<u>108,137,940</u>	<u>-</u>
Total Assets	<u>156,442,916</u>	<u>163,043</u>
LIABILITIES:		
Accounts Payable	987,295	6,176
Accrued Payroll, Taxes, and Employee Withholdings	6,457,045	-
Intergovernmental Payables	151,976	-
Unearned Revenue	1,289,629	-
Accrued Interest Payable	296,390	-
Vested Compensated Absences Payable	513,618	-
Long-term Liabilities:		
Due Within One Year	5,363,701	-
Due in More Than One Year	111,993,901	-
Other Postemployment Benefit Obligation	<u>2,467,762</u>	<u>-</u>
Total Liabilities	<u>129,521,317</u>	<u>6,176</u>
NET POSITION:		
Net Investment in Capital Assets	38,944,268	-
Restricted for Debt Service	647,573	-
Unrestricted	<u>(12,670,242)</u>	<u>156,867</u>
Total Net Position	<u>\$ 26,921,599</u>	<u>\$ 156,867</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, 2013

FUNCTIONS	FUNCTION REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	COMPONENT UNIT
Governmental Activities:						
Instruction	\$ 39,616,387	\$ 4,029,288	\$ 2,842,265	\$ -	\$ (32,744,834)	\$ -
Support Services	20,834,827	396,658	725,363	-	(19,712,806)	-
Community Services	4,045,273	3,803,700	380,784	-	139,211	-
Facilities Acquisition	82,669	-	-	872,618	789,949	-
Depreciation and Amortization	4,594,428	-	-	-	(4,594,428)	-
Interest on Long-Term Debt	6,098,278	-	183,474	-	(5,914,804)	-
Total Governmental Activities - Primary Government	<u>\$ 75,271,862</u>	<u>\$ 8,229,646</u>	<u>\$ 4,131,886</u>	<u>\$ 872,618</u>	<u>(62,037,712)</u>	<u>-</u>
Component Unit - Lake Grove Park	<u>\$ 161,648</u>	<u>\$ 18,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(143,244)</u>
General Revenues						
Taxes:						
Property Taxes, Levied for General Purposes					33,364,884	166,455
Property Taxes, Levied for Debt Service					6,070,731	-
State Revenue Sharing					18,190,045	-
Grants and Contributions Not Restricted to Specific Programs:						
Federal					35,202	-
State and Local Grants					35,285	-
Interest and Investment Earnings					132,825	2
Recovery of Prior Year Expenses					1,169,485	-
Net Compensation for Loss of Capital Assets					25,100	-
Total General Revenues					<u>59,023,557</u>	<u>166,457</u>
Changes in Net Position					(3,014,155)	23,213
Net Position - Beginning					<u>29,935,754</u>	<u>133,654</u>
Net Position - Ending					<u>\$ 26,921,599</u>	<u>\$ 156,867</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, 2013

	<u>SPECIAL REVENUE</u>		
	<u>GENERAL</u>	<u>COMMUNITY CONTRIBUTIONS</u>	<u>DEBT SERVICE</u>
ASSETS:			
Cash and Investments	\$ 12,287,821	\$ -	\$ 226,681
Interfund Receivables	-	1,149,979	-
Receivables:			
Taxes	2,260,279	-	421,136
Accounts	566,959	4,325	-
Grants	-	-	-
Prepays	51,070	-	-
Inventory of Supplies	89,920	-	-
	<u>15,256,049</u>	<u>1,154,304</u>	<u>647,817</u>
Total Assets	<u>\$ 15,256,049</u>	<u>\$ 1,154,304</u>	<u>\$ 647,817</u>
LIABILITIES AND FUND BALANCES:			
Liabilities			
Interfund Payables	\$ 1,173,890	\$ -	\$ -
Intergovernmental Payable	151,976	-	-
Accrued Payroll and Benefits Payable	6,457,045	-	-
Accounts Payable	695,402	9,675	-
Unavailable Revenue - Taxes	1,921,882	-	357,317
Unearned Revenue	38,352	935,000	-
Matured Bond and Coupons Payable	-	-	244
	<u>10,438,547</u>	<u>944,675</u>	<u>357,561</u>
Total Liabilities	<u>10,438,547</u>	<u>944,675</u>	<u>357,561</u>
Fund Balances:			
Nonspendable:			
Prepays	51,070	-	-
Inventory	89,920	-	-
Committed to:			
Community Support	-	209,629	-
Student Activities	-	-	-
Restricted for:			
Debt Service	-	-	290,256
Capital Projects	-	-	-
Unassigned	4,676,512	-	-
	<u>4,817,502</u>	<u>209,629</u>	<u>290,256</u>
Total Fund Balances	<u>4,817,502</u>	<u>209,629</u>	<u>290,256</u>
Total Liabilities and Fund Balances	<u>\$ 15,256,049</u>	<u>\$ 1,154,304</u>	<u>\$ 647,817</u>

CAPITAL PROJECTS	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 660,020	\$ 1,492,114	\$ 14,666,636
896,902	387,500	2,434,381
-	-	2,681,415
124,330	66,907	762,521
-	950,125	950,125
-	-	51,070
-	32,884	122,804
<u>\$ 1,681,252</u>	<u>\$ 2,929,530</u>	<u>\$ 21,668,952</u>
\$ 279,245	\$ 981,246	\$ 2,434,381
-	-	151,976
-	-	6,457,045
220,143	62,075	987,295
-	-	2,279,199
-	316,277	1,289,629
-	-	244
<u>499,388</u>	<u>1,359,598</u>	<u>13,599,769</u>
-	-	51,070
-	32,884	122,804
-	45,734	255,363
-	1,491,314	1,491,314
-	-	290,256
1,181,864	-	1,181,864
-	-	4,676,512
<u>1,181,864</u>	<u>1,569,932</u>	<u>8,069,183</u>
<u>\$ 1,681,252</u>	<u>\$ 2,929,530</u>	<u>\$ 21,668,952</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, 2013

Total Fund Balances - Governmental Funds \$ 8,069,183

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 113,519,995

The unamortized portion of prepaid pension obligations and bond issuance costs is not available to pay for current period expenditures, and therefore is not reported in the governmental funds.

Prepaid Pension Obligations, net of amortization	\$	23,383,606	
Bond Issuance Costs, net of amortization		<u>304,744</u>	
			23,688,350

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		(689,723)	
Compensated Absences Payable		(513,618)	
FF & C's Payable		(9,315,000)	
Accrued Interest Payable		(296,146)	
Notes Payable		(577,591)	
PERS Bonds Payable		(40,910,288)	
General Obligation Bonds Payable		(65,865,000)	
Other Postemployment Benefit Obligations		<u>(2,467,762)</u>	
			(120,635,128)

Unavailable Revenue Related to Property Taxes		<u>2,279,199</u>	
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Net Position		<u><u>\$ 26,921,599</u></u>	
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LAKE OSWEGO SCHOOL DISTRICT NO.7J**CLACKAMAS COUNTY, OREGON****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -****GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2013**

	<u>SPECIAL REVENUE</u>		
	<u>GENERAL</u>	<u>COMMUNITY CONTRIBUTIONS</u>	<u>DEBT SERVICE</u>
REVENUES:			
Local Sources:			
Taxes	\$ 33,527,166	\$ -	\$ 6,109,195
Earnings on Investments	120,720	-	111
Other Local Sources	2,799,376	2,242,192	-
Intermediate Sources	367,765	-	-
State Sources	18,176,583	-	-
Federal Sources	35,202	-	-
Total Revenues	<u>55,026,812</u>	<u>2,242,192</u>	<u>6,109,306</u>
EXPENDITURES:			
Current:			
Instruction	34,089,602	1,621,983	-
Support Services	19,908,798	67,650	-
Enterprise and Community Services	-	-	-
Capital Outlay	2,757,903	371,067	-
Debt Service:			
Principal	957,677	-	2,640,000
Interest and Other Charges	1,920,713	105,459	3,499,456
Total Expenditures	<u>59,634,693</u>	<u>2,166,159</u>	<u>6,139,456</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,607,881)</u>	<u>76,033</u>	<u>(30,150)</u>
OTHER FINANCING SOURCES, (USES):			
Sale/Compensation For Loss of Capital Assets	25,100	-	-
Transfers In	-	-	-
Transfers Out	(22,604)	-	-
Total Other Financing Sources, (Uses)	<u>2,496</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(4,605,385)</u>	<u>76,033</u>	<u>(30,150)</u>
Increase (Decrease) in Inventories	12,861	-	-
FUND BALANCE, Beginning of Year	<u>9,410,026</u>	<u>133,596</u>	<u>320,406</u>
FUND BALANCE, End of Year	<u>\$ 4,817,502</u>	<u>\$ 209,629</u>	<u>\$ 290,256</u>

CAPITAL PROJECTS	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 264,179	\$ -	\$ 39,900,540
11,994	-	132,825
9,653	6,599,755	11,650,976
222,034	140,835	730,634
-	13,462	18,190,045
-	1,793,131	1,828,333
<u>507,860</u>	<u>8,547,183</u>	<u>72,433,353</u>
8,971	3,760,529	39,481,085
-	657,713	20,634,161
-	4,038,037	4,038,037
298,199	50,175	3,477,344
1,203,829	52,677	4,854,183
161,096	160,094	5,846,818
<u>1,672,095</u>	<u>8,719,225</u>	<u>78,331,628</u>
<u>(1,164,235)</u>	<u>(172,042)</u>	<u>(5,898,275)</u>
-	-	25,100
-	22,604	22,604
-	-	(22,604)
<u>-</u>	<u>22,604</u>	<u>25,100</u>
(1,164,235)	(149,438)	(5,873,175)
-	7,764	20,625
2,346,099	1,711,606	13,921,733
<u>\$ 1,181,864</u>	<u>\$ 1,569,932</u>	<u>\$ 8,069,183</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, 2013**

Total Net Changes in Fund Balances - Governmental Funds			\$ (5,873,175)
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.			5,090,332
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	3,394,675	
	Depreciation Expense	<u>(3,015,102)</u>	379,573
Governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.			(1,579,326)
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.			20,625
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.			(851,438)
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>(200,746)</u>
Change in Net Position of Governmental Activities			<u>\$ (3,014,155)</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, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lake Oswego School District 7J (the District) is a municipal corporation governed by a separately elected five-member Board of Directors. Administrative officials are approved by the Board. The daily functioning of the District is under the supervision of the Superintendent. As required by accounting principles generally accepted in the United States of America, all activities of the District have been included in the basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

The Lake Grove Park District's financial statements appear as a discretely presented component unit in the financial statements. They are presented as a separate column to emphasize that they are legally separate from the School District. The Park District was organized under provisions of Oregon Revised Statutes Chapter 390 for the purpose of operating a park district. It is restricted by deed to use by residents of the former Lake Grove School District No. 106.

Detailed information about the Park District's budgetary compliance and compliance with laws and regulations is contained in the component unit financial report of Lake Grove Park District. The Park District's address is the same as Lake Oswego School District No. 7J.

Private citizens of the Lake Oswego School District area formed the Lake Oswego School District Foundation in 1986 as a separate, independent non-profit corporation. The Foundation is not a component unit of the District, but it does raise money for the benefit of the District. Included in the Special Revenue Funds' local revenues are Foundation contributions totaling \$1,700,000 for the year ended June 30, 2013.

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, 2013

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, 2013

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, 2013

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.

Grants

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

Inventories

School operating supplies, maintenance supplies, and food and other cafeteria supplies are stated at average invoice cost. Commodities purchased from the United States Department of Agriculture in the Food Service Fund are included in the District's inventories at USDA wholesale value. The District accounts for the inventory based on the purchase method. Under this method, inventory is recorded as an expenditure when purchased. Inventory amounts at year end are recorded on the governmental funds balance sheet 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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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). Contributions to PERS are made on a current basis as required by the plan and are charged as expenses/expenditures as funded. An asset representing proceeds from the sale of pension bonds contributed to PERS is being amortized over the life of the bonds.

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 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.

Governmental Fund Balances

In the governmental financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental Fund type fund balances are classified as follows:

- **Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balances (Continued)

- Restricted – Amounts that can be spent only for specific purposes when the constraints placed on the use of these resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – Amounts that can be used only for specific purposes determined by a formal action of the School Board. The School Board can modify or rescind the commitment at any time through taking a similar formal action.
- Assigned - Amounts that are constrained by the District’s intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the School Board approves which resources should be “reserved” during the adoption of the annual budget. The District’s Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the District’s Annual Financial Report.
- Unassigned – All amounts not included in other spendable classifications. This residual classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

Budget

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

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 were two appropriations transfers made and one supplemental appropriation was adopted. Appropriations lapse at the end of each fiscal year.

Pension Asset

The pension asset consists of two lump-sum payments to PERS totaling \$39,711,633 in partial payment of the District's unfunded actuarial liability. The pension asset is equal to these payments made from the issuance of pension bonds less accumulated amortization calculated on the straight-line method over the life of the pension obligation bonds.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

CASH AND INVESTMENTS

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

Cash and investments are comprised of the following as of June 30, 2013:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<hr/>	<hr/>
<i>Cash and Investments</i>		
Cash on hand	\$ 4,250	\$ 4,250
Deposits with financial institutions	354,999	354,999
Investments	14,307,387	14,307,387
	<hr/>	<hr/>
	\$ 14,666,636	\$ 14,666,636
	<hr/> <hr/>	<hr/> <hr/>

Deposits

The District's deposits with various financial institutions had a bank value of \$2,172,674 at June 30, 2013. 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

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2013

CASH AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits (Continued)

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, 2013, \$1,280,478 of the District's bank balances were covered by the PFCP.

Investments

As of June 30, 2013, the District held the following investments and maturities:

Investment type	Carrying Amount	Weighted Average Maturity in years	% of portfolio
Time certificates of deposit	\$ 149,503	0.083	1%
Treasury bills	799,109	0.500	6%
Local Government Investment Pool	13,358,775	0.003	93%
	<u>\$14,307,387</u>	<u>0.032</u>	<u>100%</u>

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, 2013.

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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

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, 2013, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool was approximately equal to the value of the pool shares. Separate financial statements for the Oregon Short Term Fund are available from the Oregon State Treasurer. The LGIP is not rated for credit risk.

Interest Rate Risk

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

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:

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2013

CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk (Continued)

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

RECEIVABLES

Receivables are comprised of the following as of June 30, 2013:

Property taxes receivable	
General Fund	\$ 2,260,279
Debt Service Fund	421,136
Total property taxes receivable	<u>2,681,415</u>
Accounts and grants receivable	
General Fund	566,959
Community Contributions Fund	4,325
Capital Projects Fund	124,330
Other Governmental Funds	1,017,032
Total accounts and grants receivable	<u>1,712,646</u>
Total	<u><u>\$ 4,394,061</u></u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2013

INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2013 is as follows:

	<i>Due from Other Funds</i>	<i>Due to Other Funds</i>
General	\$ -	\$ 1,173,890
Community Contributions	1,149,979	-
Capital Projects	896,902	279,245
Nonmajor Governmental Funds	387,500	981,246
Total	<u>\$ 2,434,381</u>	<u>\$ 2,434,381</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.

CAPITAL ASSETS

Capital assets activity for the year was as follows:

	<i>Balances July 1, 2012</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2013</i>
Capital assets not being depreciated:				
Land	\$ 5,242,246	\$ -	\$ -	\$ 5,242,246
Construction in progress	3,420,144	3,237,456	(6,517,791)	139,809
<i>Total Capital Assets Not Being Depreciated</i>	<u>8,662,390</u>	<u>3,237,456</u>	<u>(6,517,791)</u>	<u>5,382,055</u>
Capital assets being depreciated:				
Buildings and improvements	136,613,960	5,564,811	-	142,178,771
Vehicles and equipment	3,507,846	1,110,199	(251,062)	4,366,983
<i>Total Capital Assets Being Depreciated</i>	<u>140,121,806</u>	<u>6,675,010</u>	<u>(251,062)</u>	<u>146,545,754</u>
Less accumulated depreciation for:				
Buildings and improvements	(32,878,582)	(2,749,410)	-	(35,627,992)
Vehicles and equipment	(2,765,192)	(265,692)	251,062	(2,779,822)
<i>Total Accumulated Depreciation</i>	<u>(35,643,774)</u>	<u>(3,015,102)</u>	<u>251,062</u>	<u>(38,407,814)</u>
<i>Total Capital Assets Being Depreciated, net</i>	<u>104,478,032</u>	<u>3,659,908</u>	<u>-</u>	<u>108,137,940</u>
<i>Total Capital Assets, net</i>	<u>\$ 113,140,422</u>	<u>\$ 6,897,364</u>	<u>\$ (6,517,791)</u>	<u>\$ 113,519,995</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

LONG-TERM DEBT

The following is a summary of long-term debt transactions during the year ended June 30, 2013:

<u>Issue Date</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2013</u>	<u>Amounts Due in One Year</u>
General obligation bonds used for Capital Purposes:						
August 4, 2005	\$ 80,740,000	\$ 68,505,000	\$ -	\$ (2,640,000)	\$ 65,865,000	\$ 2,925,000
Pension Bonds:						
October 2002	23,926,732	20,039,746	-	(428,867)	19,610,879	447,785
April 2003	16,302,037	13,649,901	-	(428,810)	13,221,091	441,257
August 2011	1,660,000	1,660,000	-	-	1,660,000	-
Total pension bonds		35,349,647	-	(857,677)	34,491,970	889,042
Total		103,854,647	-	(3,497,677)	100,356,970	3,814,042
Accretion of Discount		6,150,226	868,071	(599,979)	6,418,318	652,985
Total bonds payable		110,004,873	868,071	(4,097,656)	106,775,288	4,467,027
Notes payable		734,097	-	(156,506)	577,591	161,397
Full faith and credit obligations		10,515,000	-	(1,200,000)	9,315,000	500,000
Early retirement		674,383	292,919	(277,579)	689,723	235,277
Total		<u>\$ 121,928,353</u>	<u>\$ 1,160,990</u>	<u>\$ (5,731,741)</u>	<u>\$ 117,357,602</u>	<u>\$ 5,363,701</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.						
					\$ 65,865,000	
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.						
					19,610,879	
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.						
					13,221,091	
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						
					6,418,318	
Notes payable						
					577,591	
Full faith and credit obligations - issued July 14, 2005, April 15, 2010, June 28, 2010 and June 30, 2011 due in annual installments of \$100,000 to \$4,000,000 plus interest paid semiannually at 2.20% to 4.35% through 2030.						
					9,315,000	
Early retirement incentive						
					689,723	
Total long-term debt					<u>\$ 117,357,602</u>	

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2013

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>
2014	\$ 3,814,042	\$ 5,599,538	\$ 9,413,580
2015	4,138,753	5,605,097	9,743,850
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
2019-2023	38,040,892	22,721,019	60,761,911
2024-2028	39,645,000	5,061,270	44,706,270
	<u>\$ 100,356,970</u>	<u>\$ 55,684,724</u>	<u>\$ 156,041,694</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 two loans due in semi-annual payments of \$21,214 and \$69,953, each due on December and June 15 including interest at 4.8% and 2.75% per annum, maturing on June 15, 2022 and 2015, respectively.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2013

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>
2014	\$ 161,397	\$ 20,937	\$ 182,334
2015	166,452	15,883	182,335
2016	30,807	11,622	42,429
2017	32,303	10,125	42,428
2018	33,872	8,557	42,429
2019-2022	152,760	16,956	169,716
	<u>\$ 577,591</u>	<u>\$ 84,080</u>	<u>\$ 661,671</u>

The District issued \$3,750,000 of Full Faith and Credit obligations in July 2005 with interest at 3.75% - 4.35%. The District also issued \$1,100,000, \$4,000,000, and \$3,000,000 of Full Faith and Credit obligations in April 2010, June 2010, and June 30, 2011 with interest rates of 3.1%, 2.2%, and a floating rate tied to LIBOR (which at June 30, 2013 was .7594%), respectively. 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>
2014	\$ 500,000	\$ 233,198	\$ 733,198
2015	6,700,000	221,197	6,921,197
2016	105,000	87,198	192,198
2017	110,000	83,417	193,417
2018	115,000	79,348	194,348
2019-2023	640,000	326,630	966,630
2024-2028	785,000	182,678	967,678
2029-2030	360,000	23,708	383,708
	<u>\$ 9,315,000</u>	<u>\$ 1,237,374</u>	<u>\$ 10,552,374</u>

Compensated absences activity for the year is as follows:

	<i>Outstanding</i> <i>July 1, 2012</i>	<i>Increases</i>	<i>Decreases</i>	<i>Outstanding</i> <i>June 30, 2013</i>	<i>Amount Due</i> <i>in One Year</i>
Compensated absences	<u>\$ 406,292</u>	<u>\$ 513,618</u>	<u>\$ (406,292)</u>	<u>\$ 513,618</u>	<u>\$ 513,618</u>

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

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 22,604
Other nonmajor funds	22,604	-
	<hr/>	<hr/>
Total	<u>\$ 22,604</u>	<u>\$ 22,604</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 School program to cover operating deficits in its programs and to maintain compliance with local budget law that limits instances under which a fund may have a deficit fund balance.

PENSION PLAN

The District contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost sharing multiple-employer defined benefit pension plan. The District participates with all other school districts in the State in a common rate pool. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs:

1. The Pension Program, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003, and to inactive employees who return to employment. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service.
2. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, P.O. Box 73, Portland, Oregon 97207-0073 or by calling 503-598-7377.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

PENSION PLAN (Continued)

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. As allowed by state law, the District makes this contribution on behalf of its regular employees. The District is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the employees for the qualifying employees under the OPSRP plan. During 2002-2003, the District issued limited tax pension bonds, the proceeds of which were used to finance a portion of its estimated unfunded actuarial liability. The OPERF and the OPSRP rates in effect for the year ended June 30, 2013 were 8.86% and 7.35% respectively after adjustment for the effects of prepayment of a portion of the estimated unfunded liability. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

Current law permits employers to pay employee contributions to the Retirement Fund. The District has elected to contribute the 6% “pick-up” of regular employees’ contributions. The District’s contributions for the years ended June 30, 2013, 2012 and 2011 were \$4,473,515, \$4,430,785, and \$1,966,284, respectively. These amounts equaled the required contributions for each year.

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, 2013, the District was providing early retirement benefits to 80 former teachers or administrators. During the year ended June 30, 2013, governmental fund expenditures related to early retirement stipend benefits totaled \$320,509.

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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

Funding Policy

The District provides payments in accordance with current employee contracts on a pay-as-you-go basis. At June 30, 2013, the District was providing early retirement incentive health care benefits to 102 former employees.

Governmental fund expenditures related to early retirement insurance benefits totaled \$557,215 during the year ended June 30, 2013.

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 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 126 retired members in the plan. As of the date of the valuation, 670 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.

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 GASB 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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2013

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

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

	2013	2012	2011
Annual required contribution	\$ 1,174,075	\$ 1,390,108	\$ 1,390,108
Interest on net OPEB obligation	66,798	41,452	22,288
Adjustment to annual required contribution	(110,291)	(68,442)	(36,800)
Annual OPEB cost	1,130,582	1,363,118	1,375,596
Contributions made	(889,418)	(518,257)	(736,797)
Increase in net OPEB obligation	241,164	844,861	638,799
Net OPEB obligation at beginning of year	2,226,598	1,381,737	742,938
Net OPEB obligation at end of year	<u>\$ 2,467,762</u>	<u>\$ 2,226,598</u>	<u>\$ 1,381,737</u>

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 2013 were as follows:

Fiscal Year Ended June 30	Annual OPEB cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 1,375,596	\$ 736,797	53.6%	\$ 1,381,737
2012	1,363,118	518,257	38.0%	2,226,598
2013	1,130,582	889,418	78.7%	2,467,762

Funded Status and Funding Progress – As of July 1, 2013, the most recent actuarial valuation date, for the period ended June 30, 2013; the District's actuarial accrued liability (AAL) for benefits was \$11,668,311, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,668,311. 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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

Funding Policy (Continued)

The actuarial assumptions included a discount rate of 4 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 10 percent inflation for the current year, grading down to an annual rate of 5 percent after ten 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, OR 97281-3700 or by accessing the PERS website at www.oregon.gov/PERS/.

Funding Policy – Participating school districts are contractually required to contribute at a rate assessed each year by the OPERS: rates for the year ended June 30, 2013 were 0.59% of annual covered OPERF payroll and 0.50% 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, 2013, 2012 and 2011 were \$175,030, \$159,031, and \$98,818, 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.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2013

RISK MANAGEMENT (Continued)

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, 2013, 2012 and 2011 are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Beginning accrued claims liability	\$ 311,163	\$ 260,131	\$ 263,573
Incurred claims (including IBNRs)	36,294	96,218	99,504
Claims payments	<u>(15,747)</u>	<u>(45,186)</u>	<u>(102,946)</u>
Accrued claims liability, June 30	<u>\$ 331,710</u>	<u>\$ 311,163</u>	<u>\$ 260,131</u>

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, 2013, expenditures exceeded appropriations as follows:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund			
Support services	\$ 22,461,977	\$ 22,493,540	\$ (31,563)
Debt service	2,860,000	2,878,390	(18,390)

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>Fund</u>
Budget basis ending fund balance	\$ 4,727,582	\$ 45,734
Adjustments:		
Inventory	<u>89,920</u>	<u>32,884</u>
GAAP basis ending fund balance	<u>\$ 4,817,502</u>	<u>\$ 78,618</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2013

NEW PRONOUNCEMENTS

GASB Statement No. 61 “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.” This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government. The statement was implemented in the current year.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that were issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The statement was implemented in the current year.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The statement was implemented in the current year.

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 pronouncements.

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities.” The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for fiscal years beginning after December 15, 2012.

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 Government Operations.” The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for fiscal years beginning after December 15, 2013.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” The objective of the statement is to improve accounting and financial reporting by State and local governments that extend and receive nonexchange financial guarantees. The statement is effective for fiscal years beginning after June 15, 2013.

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, 2013

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 is pursuing claims against parties involved in the construction of a high school building. The District has reached a tentative settlement with certain of the other parties.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 3, 2014, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events except as noted below:

Legal Malpractice Settlement

On December 16, 2013, the District approved settlement of its legal malpractice lawsuit against former legal counsel in exchange for receipt of a payment of \$1.5 million. This settlement concludes the District's efforts to recover damages with various parties for performance issues in connection with capital improvements and repairs at the District's two high schools. This settlement will leave the District approximately \$5 million short of full restitution of all damages incurred in connection with these projects. As of June 30, 2013, the District has a Full Faith and Credit Obligation in the principal amount of \$7 million outstanding in connection with these projects that is due in full on June 3, 2015. At this time, the District plans to finance this \$5 million shortfall over a period of years, but no final decision has been made as of the time of the issuance of this report.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2013**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources	\$ 36,447,262	\$ 34,845,000	\$ 35,345,000	\$ 1,102,262
Intermediate Sources	367,765	405,000	405,000	(37,235)
State Sources	18,176,583	17,450,000	17,450,000	726,583
Federal Sources	35,202	-	-	35,202
Total Revenues	<u>55,026,812</u>	<u>52,700,000</u>	<u>53,200,000</u>	<u>1,826,812</u>
EXPENDITURES:				
Instruction	34,262,763	34,517,022	34,517,022	254,259
Support Services	22,493,540	21,161,977	22,461,977	(31,563)
Facilities Acquisition and Construction	-	1	1	1
Debt Service	2,878,390	2,860,000	2,860,000	(18,390)
Operating Contingency	-	500,000	200,000	200,000
Total Expenditures	<u>59,634,693</u>	<u>59,039,000</u>	<u>60,039,000</u>	<u>404,307</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,607,881)	(6,339,000)	(6,839,000)	2,231,119
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1	1	(1)
Transfers out	(22,604)	(200,000)	(200,000)	177,396
Sale of/Compensation for Loss of Capital Assets	25,100	9,999	9,999	15,101
Total Other Financing Sources (Uses)	<u>2,496</u>	<u>(190,000)</u>	<u>(190,000)</u>	<u>192,496</u>
NET CHANGE IN FUND BALANCE	(4,605,385)	(6,529,000)	(7,029,000)	2,423,615
FUND BALANCE, Beginning of year	<u>9,332,967</u>	<u>8,800,000</u>	<u>9,300,000</u>	<u>32,967</u>
FUND BALANCE, End of year	<u>\$ 4,727,582</u>	<u>\$ 2,271,000</u>	<u>\$ 2,271,000</u>	<u>\$ 2,456,582</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – COMMUNITY CONTRIBUTIONS FUND
YEAR ENDED JUNE 30, 2013**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources	\$ 2,242,192	\$ 2,518,000	\$ 2,518,000	\$ (275,808)
EXPENDITURES:				
Instruction	1,993,050	2,220,000	2,170,000	176,950
Support Services	67,650	165,000	165,000	97,350
Facilities Acquisition and Construction	-	98,000	98,000	98,000
Debt Service	105,459	90,000	140,000	34,541
Total Expenditures	<u>2,166,159</u>	<u>2,573,000</u>	<u>2,573,000</u>	<u>406,841</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>76,033</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>131,033</u>
FUND BALANCE, Beginning of year	<u>133,596</u>	<u>55,000</u>	<u>55,000</u>	<u>78,596</u>
FUND BALANCE, End of year	<u>\$ 209,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,629</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2009	\$ -	\$ 12,836,263	\$ 12,836,263	0.0%	\$ 30,057,273	42.71%
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%

OTHER 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, 2013**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Taxes-Current Levy	\$ 26,828,460	\$ 26,350,000	\$ 26,350,000	\$ 478,460
Taxes-Prior Levies	789,645	800,000	800,000	(10,355)
Local Option Taxes-Current Levy	5,687,035	6,000,000	6,000,000	(312,965)
Local Option Taxes-Prior Levy	222,026	200,000	200,000	22,026
Tuition	553,226	310,000	310,000	243,226
Earnings on Investments	120,720	100,000	100,000	20,720
Gate Receipts	120,944	50,000	50,000	70,944
Sports Participation Fees	505,007	550,000	550,000	(44,993)
Student Fees	54,056	30,000	30,000	24,056
Rent from School Facility	66,876	10,000	10,000	56,876
Property Lease Fees	245,592	300,000	300,000	(54,408)
Miscellaneous Income	1,253,675	145,000	645,000	608,675
Total From Local Sources	<u>36,447,262</u>	<u>34,845,000</u>	<u>35,345,000</u>	<u>1,102,262</u>
Intermediate Sources:				
County School Fund	35,285	5,000	5,000	30,285
Handicapped Children	332,480	400,000	400,000	(67,520)
Total From Intermediate Sources	<u>367,765</u>	<u>405,000</u>	<u>405,000</u>	<u>(37,235)</u>
State Sources:				
School Support Fund	17,566,906	16,800,000	16,800,000	766,906
Common School Fund	609,677	650,000	650,000	(40,323)
Total From State Sources	<u>18,176,583</u>	<u>17,450,000</u>	<u>17,450,000</u>	<u>726,583</u>
Federal Sources:				
Federal Forest Fees	35,202	-	-	35,202
Other Sources:				
Sales/Compensation for Loss of Fixed Assets	25,100	9,999	9,999	15,101
Total Revenues	<u>\$ 55,051,912</u>	<u>\$ 52,709,999</u>	<u>\$ 53,209,999</u>	<u>\$ 1,841,913</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND (Continued)
YEAR ENDED JUNE 30, 2013**

	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
EXPENDITURES:				
Instruction:				
Regular Programs:				
Primary, K-3	\$ 4,527,679	\$ 2,346,836	\$ 23,075	\$ 109,142
Intermediate Programs	2,525,685	1,129,603	26,806	66,959
Jr. High Programs	3,943,589	1,914,246	35,973	122,461
Jr. High School Extra-curricular	184,812	47,884	15,571	7,368
High School Programs	5,726,508	2,812,825	81,173	161,516
High School Extra-curricular	1,043,078	244,929	83,257	59,564
Special Programs:				
Talented and Gifted	171,096	77,645	286	1,416
More Restrictive Special Programs	1,624,168	1,023,404	699,135	11,711
Less Restrictive Special Programs	1,882,121	1,032,491	4,490	6,698
Alternative Education	13,778	1,615	120,685	3,909
English 2nd Language	96,484	43,839	799	457
Total Instruction	21,738,998	10,675,317	1,091,250	551,201
Support Services:				
Students:				
Guidance Services	1,021,020	557,343	1,016	3,632
Health Services	66,660	36,686	1,340	1,906
Psychological Services	244,374	110,623	1,206	407
Speech Pathology and Audiology	335,741	154,035	6,007	1,491
Service Direction, Student Support	159,264	65,988	17,284	5,695
Instructional Staff:				
Improvement of Instruction	391,255	370,020	57,805	11,281
Educational Media	341,551	232,731	29,970	71,005
Assessment and Testing	-	-	-	3,337
General Administration:				
Board of Education	-	-	141,411	32,247
Executive Administration	257,710	77,616	1,587	10,225
School Administration - Office of the Principal	2,419,312	1,171,250	42,361	60,492
Business:				
Fiscal Services	422,788	215,561	45,349	4,867
Operation & Maintenance of Plant	1,568,876	908,784	2,652,008	401,571
Student Transportation	-	-	2,815,694	147,048
Central Activities:				
Information	88,462	41,567	22,967	355
Staff	187,421	93,339	19,264	15,960
Technology	249,036	128,529	78,496	51,836
Supplemental Retirement Program	320,509	560,652	-	-
Total Support Services	8,073,979	4,724,724	5,933,765	823,355
Facilities Acquisition and Construction				
Facilities Acquisitions/Improvements	-	-	-	-

<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>
\$ 18,236	\$ -	\$ 7,024,968	\$ 11,503,211	\$ 11,503,211	\$ 4,478,243
54,932	-	3,803,985	-	-	(3,803,985)
2,600	-	6,018,869	5,994,987	5,994,987	(23,882)
-	-	255,635	266,459	266,459	10,824
91,274	-	8,873,296	8,803,862	8,803,862	(69,434)
1,148	32,836	1,464,812	1,410,476	1,410,476	(54,336)
-	-	250,443	302,023	302,023	51,580
3,567	-	3,361,985	3,155,519	3,155,519	(206,466)
1,404	-	2,927,204	2,720,465	2,720,465	(206,739)
-	-	139,987	208,370	208,370	68,383
-	-	141,579	151,650	151,650	10,071
<u>173,161</u>	<u>32,836</u>	<u>34,262,763</u>	<u>34,517,022</u>	<u>34,517,022</u>	<u>254,259</u>
-	605	1,583,616	1,500,990	1,500,990	(82,626)
-	-	106,592	98,541	98,541	(8,051)
-	-	356,610	372,114	372,114	15,504
-	-	497,274	605,543	605,543	108,269
900	-	249,131	248,063	248,063	(1,068)
-	1,479	831,840	988,938	988,938	157,098
6,184	-	681,441	730,986	730,986	49,545
-	-	3,337	10,000	10,000	6,663
-	10,979	184,637	202,000	202,000	17,363
-	4,970	352,108	384,187	384,187	32,079
12,042	2,902	3,708,359	3,506,158	3,506,158	(202,201)
-	1,426	689,991	698,105	698,105	8,114
2,484,571	330,314	8,346,124	6,977,986	7,977,986	(368,138)
-	-	2,962,742	2,538,616	2,838,616	(124,126)
-	-	153,351	139,241	139,241	(14,110)
-	-	315,984	326,699	326,699	10,715
81,045	300	589,242	773,810	773,810	184,568
-	-	881,161	1,060,000	1,060,000	178,839
<u>2,584,742</u>	<u>352,975</u>	<u>22,493,540</u>	<u>21,161,977</u>	<u>22,461,977</u>	<u>(31,563)</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, 2013**

EXPENDITURES (Cont.):	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 29,812,977</u>	<u>\$ 15,400,041</u>	<u>\$ 7,025,015</u>	<u>\$ 1,374,556</u>
Excess of Revenues Over, (Under) Expenditures				
Other Financing Sources, (Uses):				
Operating Transfer In				
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>
\$ -	\$ 2,878,390	\$ 2,878,390	\$ 2,860,000	\$ 2,860,000	\$ (18,390)
-	-	-	500,000	200,000	200,000
<u>\$ 2,757,903</u>	<u>\$ 3,264,201</u>	<u>59,634,693</u>	<u>59,039,000</u>	<u>60,039,000</u>	<u>404,306</u>
		(4,582,781)	(6,329,001)	(6,829,001)	2,246,220
		-	1	1	(1)
		<u>(22,604)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>177,396</u>
		<u>(22,604)</u>	<u>(199,999)</u>	<u>(199,999)</u>	<u>177,395</u>
		(4,605,385)	(6,529,000)	(7,029,000)	2,423,615
		<u>9,332,967</u>	<u>8,800,000</u>	<u>9,300,000</u>	<u>32,967</u>
		<u>\$ 4,727,582</u>	<u>\$ 2,271,000</u>	<u>\$ 2,271,000</u>	<u>\$ 2,456,582</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, 2013**

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-3	\$ 596,994	\$ 265,855	\$ 227	\$ 13,091
Intermediate Programs	-	-	77	4,333
Jr. High Programs	200,680	94,259	600	8,432
High School Programs	294,214	142,913	3,200	9,510
High School Extra-curricular	-	-	2,329	2,034
Other Special Programs	-	-	-	1,542
Total Instruction	<u>1,091,888</u>	<u>503,027</u>	<u>6,433</u>	<u>38,942</u>
Support Services:				
Pupils:				
Improvement of Instruction	-	-	-	-
Instructional Staff and Educational Media	-	-	-	-
School Administration - Office of the Principal	-	-	26,823	10,570
Business:				
Operation and Maintenance	-	-	6,172	5,696
Total Support Services	<u>-</u>	<u>-</u>	<u>32,995</u>	<u>16,266</u>
Facilities Acquisition and Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 1,091,888</u>	<u>\$ 503,027</u>	<u>\$ 39,428</u>	<u>\$ 55,208</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>
		\$ 2,242,192	\$ 2,518,000	\$ 2,518,000	\$ (275,808)
		<u>2,242,192</u>	<u>2,518,000</u>	<u>2,518,000</u>	<u>(275,808)</u>
<u>Detail by Object</u>					
<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>				
\$ 84,810	\$ -	960,977	1,093,000	1,043,000	82,023
26,666	-	31,076	-	-	(31,076)
69,963	-	373,934	432,000	432,000	58,066
158,315	-	608,152	681,000	681,000	72,848
12,924	82	17,369	11,000	11,000	(6,369)
-	-	1,542	3,000	3,000	1,458
<u>352,678</u>	<u>82</u>	<u>1,993,050</u>	<u>2,220,000</u>	<u>2,170,000</u>	<u>176,950</u>
-	-	-	20,000	20,000	20,000
-	-	-	45,000	45,000	45,000
15,132	-	52,525	20,000	20,000	(32,525)
<u>3,257</u>	<u>-</u>	<u>15,125</u>	<u>80,000</u>	<u>80,000</u>	<u>64,875</u>
<u>18,389</u>	<u>-</u>	<u>67,650</u>	<u>165,000</u>	<u>165,000</u>	<u>97,350</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>98,000</u>	<u>98,000</u>	<u>98,000</u>
<u>-</u>	<u>105,459</u>	<u>105,459</u>	<u>90,000</u>	<u>140,000</u>	<u>34,541</u>
<u>\$ 371,067</u>	<u>\$ 105,541</u>	<u>2,166,159</u>	<u>2,573,000</u>	<u>2,573,000</u>	<u>406,841</u>
		76,033	(55,000)	(55,000)	131,033
		<u>97,564</u>	<u>55,000</u>	<u>55,000</u>	<u>42,564</u>
		<u>\$ 173,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,597</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, 2013**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Taxes-Current Levy	\$ 5,913,933	\$ 5,875,000	\$ 5,875,000	\$ 38,933
Taxes-Prior Levies	195,262	200,000	200,000	(4,738)
Earnings on Investments	111	15,000	15,000	(14,889)
Total Revenues	<u>6,109,306</u>	<u>6,090,000</u>	<u>6,090,000</u>	<u>19,306</u>
EXPENDITURES:				
Debt Service:				
Long-Term Debt Service:				
Redemption of Principal	2,640,000	2,640,000	2,640,000	-
Interest	3,499,456	3,500,000	3,500,000	544
Total Expenditures	<u>6,139,456</u>	<u>6,140,000</u>	<u>6,140,000</u>	<u>544</u>
Excess of Revenues Over (Under) Expenditure	(30,150)	(50,000)	(50,000)	19,850
Beginning Fund Balance	<u>320,406</u>	<u>200,000</u>	<u>200,000</u>	<u>120,406</u>
Ending Fund Balance	<u>\$ 290,256</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 140,256</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, 2013**

REVENUES:

From Local Sources:

Construction Excise Tax

Interest Income

Settlements and Miscellaneous

From Intermediate Sources:

SB 1149 Energy Program

Total Revenues

Detail by Object

	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
EXPENDITURES:				
Instruction	\$ -	\$ -	\$ 5,282	\$ 3,689
Support Services	-	-	-	-
Facilities Acquisition and Service Direction	-	-	37,195	371
Debt Service	-	-	-	-
Operating Contingency	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,195</u>	<u>\$ 371</u>

Excess of Expenditures Over Revenues

Other Financing Sources and (Uses):

 Transfers Out

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>
		\$ 264,179	\$ 175,000	\$ 175,000	\$ 89,179
		11,994	5,000	5,000	6,994
		9,653	-	-	9,653
		<u>222,034</u>	<u>525,000</u>	<u>525,000</u>	<u>(302,966)</u>
		<u>507,860</u>	<u>705,000</u>	<u>705,000</u>	<u>(197,140)</u>
<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>				
\$	\$ -	8,971	50,000	50,000	41,029
-	-	-	50,000	50,000	50,000
252,433	8,200	298,199	1,550,000	450,000	151,801
-	1,364,925	1,364,925	375,000	1,475,000	110,075
-	-	-	250,000	250,000	250,000
<u>\$ 252,433</u>	<u>\$ 1,373,125</u>	<u>1,672,095</u>	<u>2,275,000</u>	<u>2,275,000</u>	<u>602,905</u>
		(1,164,235)	(1,570,000)	(1,570,000)	405,765
		<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>1</u>
		(1,164,235)	(1,570,001)	(1,570,001)	405,766
		<u>2,346,099</u>	<u>1,570,001</u>	<u>1,570,001</u>	<u>776,098</u>
		<u>\$ 1,181,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,181,864</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GRANTS FUND	COMMUNITY SERVICES FUND	STUDENT ACTIVITY FUND	FOOD SERVICE FUND	
ASSETS:					
Cash and Investments	\$ 250	\$ 400	\$ 1,491,314	\$ 150	\$ 1,492,114
Interfund Receivables	42,241	292,562	-	52,697	387,500
Accounts Receivable	-	4,140	-	62,767	66,907
Grants Receivable	950,125	-	-	-	950,125
Inventory of Supplies	-	-	-	32,884	32,884
Total Assets	\$ 992,616	\$ 297,102	\$ 1,491,314	\$ 148,498	\$ 2,929,530
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payables	\$ 981,246	\$ -	\$ -	\$ -	\$ 981,246
Accounts Payable	682	56,238	-	5,155	62,075
Unearned Revenue	10,688	240,864	-	64,725	316,277
Total Liabilities	992,616	297,102	-	69,880	1,359,598
Fund Balances:					
Nonspendable Inventory	-	-	-	32,884	32,884
Committed to:					
Community Support	-	-	-	45,734	45,734
Student Activities	-	-	1,491,314	-	1,491,314
Total Fund Balances	-	-	1,491,314	78,618	1,569,932
Total Liabilities and Fund Balances	\$ 992,616	\$ 297,102	\$ 1,491,314	\$ 148,498	\$ 2,929,530

LAKE OSWEGO SCHOOL DISTRICT NO.7J**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013**

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GRANTS FUND	COMMUNITY SERVICES FUND	STUDENT ACTIVITY FUND	FOOD SERVICE FUND	
REVENUES:					
Local Sources:	\$ -	\$ 2,559,201	2,796,055	\$ 1,244,499	\$ 6,599,755
Intermediate Sources	140,835	-	-	-	140,835
State Sources	-	-	-	13,462	13,462
Federal Sources	1,412,347	-	-	380,784	1,793,131
Total Revenues	<u>1,553,182</u>	<u>2,559,201</u>	<u>2,796,055</u>	<u>1,638,745</u>	<u>8,547,183</u>
EXPENDITURES:					
Current:					
Instruction	811,769	-	2,948,760	-	3,760,529
Support Services	657,713	-	-	-	657,713
Enterprise and Community Services	-	2,489,466	-	1,548,571	4,038,037
Capital Outlay	5,685	36,891	-	7,599	50,175
Debt Service	78,015	54,846	-	79,910	212,771
Total Expenditures	<u>1,553,182</u>	<u>2,581,203</u>	<u>2,948,760</u>	<u>1,636,080</u>	<u>8,719,225</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(22,002)	(152,705)	2,665	(172,042)
Other Financing Sources:					
Transfer In	-	22,002	-	602	22,604
Total Financing Sources	-	<u>22,002</u>	-	<u>602</u>	<u>22,604</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	-	-	(152,705)	3,267	(149,438)
Increase (Decrease) in Inventories	-	-	-	7,764	7,764
Beginning Fund Balance	-	-	1,644,019	67,587	1,711,606
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,491,314</u>	<u>\$ 78,618</u>	<u>\$ 1,569,932</u>

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, 2013**

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:				
Special Programs:				
More Restrictive Programs	\$ 47,268	\$ 36,076	\$	\$ 21,160
Less Restrictive Programs	217,700	115,808	1,526	37
Title I Programs	197,390	121,149	6,782	10,707
Total Instruction	<u>462,358</u>	<u>273,033</u>	<u>8,308</u>	<u>31,904</u>
Support Services:				
Students:				
Guidance Services	-	-	-	-
Nursing Services	28,584	6,132		
Psychological Services	85,557	40,901		
Service Direction, Student Support	242,198	125,964	3,788	-
Instructional Staff:				
Improvement of Instruction	78,999	12,130	29,308	889
Student Assessment	-	-	-	-
Central Activities:				
Indirect Costs	-	-	-	-
Total Support Services	<u>435,338</u>	<u>185,127</u>	<u>33,096</u>	<u>889</u>
Debt Service - Interest	-	-	-	-
Total Expenditures	<u>\$ 897,696</u>	<u>\$ 458,160</u>	<u>\$ 41,404</u>	<u>\$ 32,793</u>

Excess of Revenues Over Expenditures

Beginning Fund Balance

Ending Fund Balance

		<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
		\$ -	\$ 4,000	\$ 4,000	\$ (4,000)
		140,835	46,000	46,000	94,835
		-	30,000	30,000	(30,000)
		<u>1,412,347</u>	<u>1,864,000</u>	<u>1,864,000</u>	<u>(451,653)</u>
		<u>1,553,182</u>	<u>1,944,000</u>	<u>1,944,000</u>	<u>(390,818)</u>
<u>Detail by Object</u>					
<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>				
\$ -	\$ -	104,504	-	-	(104,504)
	36,166	371,237	775,000	775,000	403,763
5,685	-	341,713	325,000	325,000	(16,713)
<u>5,685</u>	<u>36,166</u>	<u>817,454</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>282,546</u>
-	-	-	6,000	6,000	6,000
-	-	34,716	-	-	(34,716)
-	-	126,458	-	-	(126,458)
-	-	371,950	411,000	411,000	39,050
-	3,263	124,589	266,000	266,000	141,411
-	-	-	12,500	12,500	12,500
-	-	-	57,500	57,500	57,500
<u>-</u>	<u>3,263</u>	<u>657,713</u>	<u>753,000</u>	<u>753,000</u>	<u>95,287</u>
<u>-</u>	<u>78,015</u>	<u>78,015</u>	<u>91,000</u>	<u>91,000</u>	<u>12,985</u>
<u>\$ 5,685</u>	<u>\$ 117,444</u>	<u>1,553,182</u>	<u>1,944,000</u>	<u>1,944,000</u>	<u>390,818</u>
		-	-	-	-
		-	-	-	-
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) - COMMUNITY SERVICES FUND
YEAR ENDED JUNE 30, 2013**

REVENUES:	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
Local Sources, Community Service Activities:				
Community Services Tuition	\$ 1,101,599	\$ 1,371,000	\$ 1,371,000	\$ (269,401)
Extended Child Care Fees	1,122,067	1,260,000	1,260,000	(137,933)
Driver's Ed. Fees	65,360	90,000	90,000	(24,640)
Pool Fees	122,316	150,000	150,000	(27,684)
Rent From School Facility	147,859	110,000	110,000	37,859
Miscellaneous	-	10,000	10,000	(10,000)
Total Revenues	2,559,201	2,991,000	2,991,000	(431,799)
EXPENDITURES:				
Enterprise and Community Services				
Other Enterprise:				
Community Recreation:				
Salaries	582,998	675,000	675,000	92,002
Employee Benefits	134,959	125,000	125,000	(9,959)
Purchased Services	313,733	350,000	350,000	36,267
Supplies & Materials	253,499	395,000	395,000	141,501
Capital Outlay	36,891	5,000	5,000	(31,891)
Other Objects	5,468	10,000	10,000	4,532
Swim Pool:				
Salaries	60,953	130,000	130,000	69,047
Employee Benefits	16,157	35,000	35,000	18,843
Purchased Services	74,538	160,000	160,000	85,462
Supplies & Materials	15,079	20,000	20,000	4,921
Other Objects	-	1,000	1,000	1,000
Custody and Care of Children:				
Salaries	611,801	660,000	660,000	48,199
Employee Benefits	327,601	365,000	365,000	37,399
Purchased Services	34,947	40,000	40,000	5,053
Supplies & Materials	55,591	80,000	80,000	24,409
Capital Outlay	2,142	5,000	5,000	2,858
Total Enterprise and Community Services	2,526,357	3,056,000	3,056,000	529,643
Debt Service	54,846	60,000	60,000	5,154
Total Expenditures	2,581,203	3,116,000	3,116,000	534,797
Excess (Deficiency) of Revenues Over Expenditures	(22,002)	(125,000)	(125,000)	102,998
Other Financing Sources:				
Transfers In	22,002	125,000	125,000	(102,998)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	-	-	-	-
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) - STUDENT ACTIVITY FUND
YEAR ENDED JUNE 30, 2013**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Community Services Activities	<u>\$ 2,796,055</u>	<u>\$ 2,850,000</u>	<u>\$ 2,850,000</u>	<u>\$ (53,945)</u>
Total Revenues	<u>2,796,055</u>	<u>2,850,000</u>	<u>2,850,000</u>	<u>(53,945)</u>
EXPENDITURES:				
Instruction:				
Regular Programs:				
Elementary-Extra-curricular:				
Supplies & Materials	163,250	275,000	275,000	111,750
Jr. High-Extra-curricular:				
Supplies & Materials	442,339	475,000	475,000	32,661
High School Extra-curricular:				
Supplies & Materials	<u>2,343,171</u>	<u>2,200,000</u>	<u>2,200,000</u>	<u>(143,171)</u>
Total Instruction	<u>2,948,760</u>	<u>2,950,000</u>	<u>2,950,000</u>	<u>1,240</u>
Excess (Deficiency) of Revenues Over Expenditures	(152,705)	(100,000)	(100,000)	(52,705)
Beginning Fund Balance	<u>1,644,019</u>	<u>1,750,000</u>	<u>1,750,000</u>	<u>(105,981)</u>
Ending Fund Balance	<u>\$ 1,491,314</u>	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</u>	<u>\$ (158,686)</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, 2013**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources - Food Service:				
Food Service Sales	\$ 1,157,199	\$ 1,310,000	\$ 1,310,000	\$ (152,801)
Banquets & Miscellaneous	87,300	100,000	100,000	(12,700)
Total Local Sources - Food Service	<u>1,244,499</u>	<u>1,410,000</u>	<u>1,410,000</u>	<u>(165,501)</u>
State Sources:				
State School Support - Lunch Match	<u>13,462</u>	<u>20,000</u>	<u>20,000</u>	<u>(6,538)</u>
Federal Sources:				
National School Lunch Reimbursement	320,529	300,000	300,000	20,529
USDA Commodities	60,255	95,000	95,000	(34,745)
Total Federal Sources	<u>380,784</u>	<u>395,000</u>	<u>395,000</u>	<u>(14,216)</u>
Total Revenues	<u>1,638,745</u>	<u>1,825,000</u>	<u>1,825,000</u>	<u>(186,255)</u>
EXPENDITURES:				
Enterprise and Community Services:				
Food Services:				
Salaries	480,628	600,000	600,000	119,372
Employee Benefits	214,133	285,000	285,000	70,867
Purchased Services	27,106	35,000	35,000	7,894
Supplies & Materials	822,234	885,000	885,000	62,766
Capital Outlay	7,599	10,000	10,000	2,401
Other Objects	4,470	5,000	5,000	530
Total Enterprise and Community Services	<u>1,556,170</u>	<u>1,820,000</u>	<u>1,820,000</u>	<u>263,830</u>
Debt Service - Other Objects	<u>79,910</u>	<u>80,000</u>	<u>80,000</u>	<u>90</u>
Total Expenditures	<u>1,636,080</u>	<u>1,900,000</u>	<u>1,900,000</u>	<u>263,920</u>
Excess (Deficiency) of Revenues Over Expenditures	2,665	(75,000)	(75,000)	77,665
Other Financing Sources:				
Transfer In	<u>602</u>	<u>75,000</u>	<u>75,000</u>	<u>(74,398)</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures	3,267	-	-	3,267
Beginning Fund Balance	<u>42,467</u>	-	-	<u>42,467</u>
Ending Fund Balance	<u>\$ 45,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,734</u>

OTHER FINANCIAL SCHEDULES

LAKE OSWEGO SCHOOL DISTRICT NO.7J
SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS
JUNE 30, 2013

<i>Year</i>	<i>August 4, 2005</i>			<i>PERS UAL Limited</i> <i>2002 Issue</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013-14	\$ 2,925,000	\$ 3,389,686	\$ 6,314,686	\$ 447,785	\$ 1,367,659	\$ 1,815,444
2014-15	3,235,000	3,257,506	6,492,506	467,167	1,448,277	1,915,444
2015-16	3,585,000	3,089,770	6,674,770	479,712	1,535,732	2,015,444
2016-17	3,970,000	2,901,556	6,871,556	487,132	1,628,312	2,115,444
2017-18	4,375,000	2,693,132	7,068,132	496,372	1,729,072	2,225,444
2018-19	4,830,000	2,463,444	7,293,444	504,223	1,836,221	2,340,444
2019-20	5,320,000	2,209,870	7,529,870	508,488	1,946,956	2,455,444
2020-21	5,840,000	1,930,568	7,770,568	-	985,444	985,444
2021-22	6,380,000	1,639,970	8,019,970	1,810,000	897,719	2,707,719
2022-23	6,970,000	1,305,018	8,275,018	2,040,000	798,531	2,838,531
2023-24	7,605,000	939,094	8,544,094	2,290,000	686,535	2,976,535
2024-25	8,275,000	539,832	8,814,832	2,565,000	559,440	3,124,440
2025-26	2,555,000	105,394	2,660,394	2,860,000	417,082	3,277,082
2026-27	-	-	-	3,175,000	258,352	3,433,352
2027-28	-	-	-	1,480,000	82,140	1,562,140
	<u>\$ 65,865,000</u>	<u>\$ 26,464,840</u>	<u>\$ 92,329,840</u>	<u>\$ 19,610,879</u>	<u>\$ 16,177,472</u>	<u>\$ 35,788,351</u>

<i>Tax Pension Bonds</i>			<i>PERS UAL Limited Tax Pension Bonds</i>		
<i>2003 Issue</i>			<i>2011 Refunding</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 441,257	\$ 773,884	\$ 1,215,141	\$ -	\$ 68,309	\$ 68,309
436,586	831,005	1,267,591	-	68,309	68,309
442,522	901,150	1,343,672	-	68,309	68,309
437,966	964,626	1,402,592	-	68,309	68,309
444,579	1,049,523	1,494,102	-	68,309	68,309
434,825	1,119,496	1,554,321	-	68,309	68,309
439,448	1,212,564	1,652,012	-	68,309	68,309
433,158	1,294,061	1,727,219	1,660,000	68,309	1,728,309
438,095	1,397,387	1,835,482	-	-	-
432,655	1,478,843	1,911,498	-	-	-
1,625,000	500,985	2,125,985	-	-	-
1,800,000	409,812	2,209,812	-	-	-
2,045,000	307,572	2,352,572	-	-	-
2,250,000	191,416	2,441,416	-	-	-
1,120,000	63,616	1,183,616	-	-	-
<u>\$ 13,221,091</u>	<u>\$ 12,495,940</u>	<u>\$ 25,717,031</u>	<u>\$ 1,660,000</u>	<u>\$ 546,472</u>	<u>\$ 2,206,472</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J

SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS (Continued)

JUNE 30, 2013

Total of all Bond Issues

<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013-14	\$ 3,814,042	\$ 5,599,538	\$ 9,413,580
2014-15	4,138,753	5,605,097	9,743,850
2015-16	4,507,234	5,594,961	10,102,195
2016-17	4,895,098	5,562,803	10,457,901
2017-18	5,315,951	5,540,036	10,855,987
2018-19	5,769,048	5,487,470	11,256,518
2019-20	6,267,936	5,437,699	11,705,635
2020-21	7,933,158	4,278,382	12,211,540
2021-22	8,628,095	3,935,076	12,563,171
2022-23	9,442,655	3,582,392	13,025,047
2023-24	11,520,000	2,126,614	13,646,614
2024-25	12,640,000	1,509,084	14,149,084
2025-26	7,460,000	830,048	8,290,048
2026-27	5,425,000	449,768	5,874,768
2027-28	2,600,000	145,756	2,745,756
	<u>\$ 100,356,970</u>	<u>\$ 55,684,724</u>	<u>\$ 156,041,694</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF NOTES PAYABLE AND FULL FAITH & CREDIT OBLIGATION REDEMPTION AND INTEREST REQUIREMENTS**

JUNE 30, 2013

<i>Year</i>	<i>Notes Payable</i>					
	<i>June 28, 2010</i>			<i>June 30, 2007</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013-14	\$ 133,379	\$ 6,527	\$ 139,906	\$ 28,018	\$ 14,410	\$ 42,428
2014-15	137,072	2,834	139,906	29,380	13,049	42,429
2015-16	-	-	-	30,807	11,622	42,429
2016-17	-	-	-	32,303	10,125	42,428
2017-18	-	-	-	33,872	8,557	42,429
2018-19	-	-	-	35,517	6,911	42,428
2019-20	-	-	-	37,242	5,186	42,428
2020-21	-	-	-	39,051	3,377	42,428
2021-22	-	-	-	40,950	1,482	42,432
	<u>\$ 270,451</u>	<u>\$ 9,361</u>	<u>\$ 279,812</u>	<u>\$ 307,140</u>	<u>\$ 74,719</u>	<u>\$ 381,859</u>

<i>Year</i>	<i>Full Faith & Credit Obligations</i>					
	<i>July 14, 2005</i>			<i>June 3, 2013</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013-14	\$ 100,000	\$ 95,198	\$ 195,198	\$ 400,000	\$ 138,000	\$ 538,000
2014-15	100,000	91,197	191,197	6,600,000	130,000	6,730,000
2015-16	105,000	87,198	192,198	-	-	-
2016-17	110,000	83,417	193,417	-	-	-
2017-18	115,000	79,348	194,348	-	-	-
2018-19	120,000	75,035	195,035	-	-	-
2019-20	125,000	70,535	195,535	-	-	-
2020-21	125,000	65,610	190,610	-	-	-
2021-22	130,000	60,422	190,422	-	-	-
2022-23	140,000	55,028	195,028	-	-	-
2023-24	145,000	49,217	194,217	-	-	-
2024-25	150,000	43,200	193,200	-	-	-
2025-26	155,000	36,975	191,975	-	-	-
2026-27	165,000	30,231	195,231	-	-	-
2027-28	170,000	23,055	193,055	-	-	-
2028-29	175,000	15,660	190,660	-	-	-
2029-30	185,000	8,048	193,048	-	-	-
	<u>\$ 2,315,000</u>	<u>\$ 969,374</u>	<u>\$ 3,284,374</u>	<u>\$ 7,000,000</u>	<u>\$ 268,000</u>	<u>\$ 7,268,000</u>

Total of all Notes Payable

<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 161,397	\$ 20,937	\$ 182,334
166,452	15,883	182,335
30,807	11,622	42,429
32,303	10,125	42,428
33,872	8,557	42,429
35,517	6,911	42,428
37,242	5,186	42,428
39,051	3,377	42,428
40,950	1,482	42,432
<u>\$ 577,591</u>	<u>\$ 84,080</u>	<u>\$ 661,671</u>

Total of all FF&C's

<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 500,000	\$ 233,198	\$ 733,198
6,700,000	221,197	6,921,197
105,000	87,198	192,198
110,000	83,417	193,417
115,000	79,348	194,348
120,000	75,035	195,035
125,000	70,535	195,535
125,000	65,610	190,610
130,000	60,422	190,422
140,000	55,028	195,028
145,000	49,217	194,217
150,000	43,200	193,200
155,000	36,975	191,975
165,000	30,231	195,231
170,000	23,055	193,055
175,000	15,660	190,660
185,000	8,048	193,048
<u>\$ 9,315,000</u>	<u>\$ 1,237,374</u>	<u>\$ 10,552,374</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J

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

YEAR ENDED JUNE 30, 2013

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2012	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED June 30, 2013
Current:						
2012-13	\$ 34,380,348	\$ 859,285	\$ (95,001)	\$ 5,661	\$ 32,418,030	\$ 1,013,692
Prior Years:						
2011-12	1,122,011	(986)	(45,037)	44,669	545,353	577,275
2010-11	579,903	(573)	(31,147)	44,627	220,135	373,820
2009-10	382,064	(42)	(4,594)	55,462	221,365	211,609
2008-09	116,163	(32)	(2,239)	27,436	103,839	37,553
2007-08	20,847	(16)	(1,580)	3,240	8,643	13,880
2006-07	11,439	-	(1,241)	1,323	3,367	8,153
2005-06	5,795	-	(56)	362	809	5,293
2004-05	4,755	-	(38)	406	850	4,274
2003-04	3,470	-	(40)	391	757	3,064
2002-03	2,795	-	(31)	369	677	2,455
2001-02	2,775	-	(29)	188	334	2,599
2000-01	1,922	-	(28)	88	150	1,832
1999-00	978	-	(20)	54	89	923
1998-99	878	-	(20)	14	23	850
1997-98	613	-	(28)	136	210	510
1996-97	622	-	(24)	413	629	382
1995-96	539	-	(20)	187	280	427
1994-95 & Prior	1,888	-	(31)	371	542	1,687
Total Prior	<u>2,259,457</u>	<u>(1,649)</u>	<u>(86,202)</u>	<u>179,738</u>	<u>1,108,054</u>	<u>1,246,587</u>
Total	<u>\$ 36,639,804</u>	<u>\$ 857,636</u>	<u>\$ (181,204)</u>	<u>\$ 185,399</u>	<u>\$ 33,526,084</u>	<u>\$ 2,260,279</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurers Above	\$ 33,526,084
Accrual of Current Receivables:	
June 30, 2012	(175,288)
June 30, 2013	338,398
June 30, 2013 Cash With County	(162,545)
Taxes in Lieu of Property Taxes	<u>517</u>
Total Revenue	<u>\$ 33,527,166</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED -
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2013**

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2012	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED June 30, 2013
Current:						
2012-13	\$ 6,253,010	\$ 156,286	\$ (17,272)	\$ 1,030	\$ 5,896,129	\$ 184,353
Prior Years:						
2011-12	199,007	(175)	(8,002)	7,923	96,718	102,385
2010-11	105,453	(104)	(5,669)	8,115	40,027	67,976
2009-10	85,877	(9)	(1,033)	12,466	49,755	47,565
2008-09	25,816	(7)	(498)	6,097	23,077	8,346
2007-08	4,591	(4)	(348)	714	1,904	3,057
2006-07	2,626	-	(285)	304	773	1,872
2005-06	1,470	-	(14)	92	205	1,343
2004-05	1,254	-	(10)	107	224	1,127
2003-04	960	-	(11)	108	209	848
2002-03	740	-	(8)	98	179	650
2001-02	734	-	(8)	50	88	688
2000-01	146	-	(2)	7	11	139
1999-00	228	-	(5)	13	21	216
1998-99	225	-	(5)	4	6	217
1997-98	162	-	(7)	36	56	135
1996-97	72	-	(3)	48	73	44
1995-96	61	-	(2)	21	32	48
1994-95 & Prior	163	-	(5)	65	96	127
Total Prior	<u>429,586</u>	<u>(299)</u>	<u>(15,914)</u>	<u>36,266</u>	<u>213,454</u>	<u>236,783</u>
Total	<u>\$ 6,682,596</u>	<u>\$ 155,987</u>	<u>\$ (33,186)</u>	<u>\$ 37,296</u>	<u>\$ 6,109,582</u>	<u>\$ 421,136</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurers Above	\$ 6,109,582
Accrual of Current Receivables:	
June 30, 2012	(33,805)
June 30, 2013	63,819
June 30, 2013 Cash With County	(30,579)
Taxes in Lieu of Property Taxes	<u>178</u>
Total Revenue	<u>\$ 6,109,195</u>

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, 2013

A. Energy Bill for Heating - All Funds

<u>Function</u>	<u>Objects 325 and 326</u>
2540	\$ 905,505
2550	-

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

95,284

***INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS***



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, 2013, and have issued our report thereon dated January 3, 2014.

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 as follows:

- Expenditures exceeded appropriations as described in the notes to basic financial statements.
- In our testing of teacher experience reporting, one of the 25 teachers tested was reported in error. The District has corrected the reporting to Oregon Department of Education.


Internal Control

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

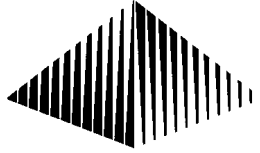
Restriction on Use

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

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

By: 
Larry E. Grant, A Shareholder
January 3, 2014

GRANT 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 3, 2014.

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

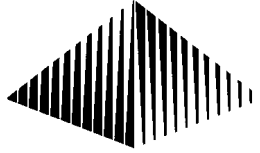
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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

January 3, 2014



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, 2013. 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, 2013.

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

January 3, 2014

LAKE OSWEGO SCHOOL DISTRICT NO.7J
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Source/Grant Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program or Award Amount	Cash Received	Expenditures (Budgetary Basis)
U.S. DEPARTMENT OF EDUCATION:					
Passed Through State Department of Education:					
Title IA	84.010	25280	\$ 378,658	\$ 75,314	\$ 351,721
Title IA	84.010	22648	272,430	61,684	16,454
Subtotal Title I, Part A Cluster		\$50,000 Transferred from Title II		136,998	368,175
IDEA Part B, Section 611	84.027	26718	907,411	300,598	903,815
IDEA Part B, Section 611	84.027	23617	938,971	44,767	-
IDEA Enhancement	84.027	26503	7,957	7,000	7,957
IDEA Extended Assessment	84.027	24976	900	900	900
IDEA SPR & I	84.027	25795	3,228	-	3,228
Subtotal Special Education Cluster (IDEA)				353,265	915,900
Title IIA Improving Teacher Quality	84.367	22835	75,721	50,577	29,061
Title IIA Improving Teacher Quality	84.367	25507	125,423	80,763	99,210
Subtotal Title IIA Improving Teacher Quality		\$50,000 Transferred to Title I		131,340	128,271
TOTAL U.S. DEPARTMENT OF EDUCATION				621,603	1,412,346
U.S. DEPARTMENT OF AGRICULTURE:					
Passed Through State Department of Education:					
National School Lunch Program - Breakfast	10.553	N/A	N/A	29,757	29,447
National School Lunch Program - Lunch	10.555	N/A	N/A	290,499	291,083
National School Lunch Program - Commodities	10.555	N/A	N/A	60,255	60,255
Subtotal Child Nutrition Cluster				380,511	380,785
Federal Forest Fees	10.665	N/A	N/A	35,202	35,202
Subtotal Forest Service Schools and Roads Cluster				35,202	35,202
TOTAL U.S. DEPARTMENT OF AGRICULTURE				415,713	415,987
TOTAL FEDERAL ASSISTANCE				\$ 1,037,316	\$ 1,828,333
RECONCILIATION TO REVENUE:					
Cash Receipts per Schedule Above				\$ 1,037,316	
Grants Receivable / Unearned Revenue Beginning of Year				(168,330)	
Grants Receivable / Unearned Revenue End of Year				959,347	
Federal Revenue Recognized				\$ 1,828,333	

LAKE OSWEGO SCHOOL DISTRICT NO.7J
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

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 Lake Oswego School District No.7J, 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 in the Lake Oswego School District No.7J.

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 Lake Oswego School District No.7J for the year ended June 30, 2013.

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, 2013

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 programs:

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

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

STATISTICAL SECTION

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

	2009	2010	2011	2012	2013
ASSETS:					
Cash	\$ 10,470,692	\$ 14,130,208	\$ 14,298,929	\$ 17,665,560	\$ 12,287,821
Receivables:					
Taxes	2,003,127	2,112,529	1,963,725	2,259,452	2,260,279
Accounts	576,771	541,579	529,212	479,937	566,959
Prepays	51,095	51,465	27,410	31,174	51,070
Inventory of Supplies	129,987	110,743	142,129	77,059	89,920
Total Assets	\$ 13,231,672	\$ 16,946,524	\$ 16,961,405	\$ 20,513,182	\$ 15,256,049
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Interfund Payables	\$ 389,039	\$ 2,663,111	\$ 1,514,273	\$ 805,063	\$ 1,173,890
Intergovernmental Payable	220,082	46,592	84,481	134,947	151,976
Accrued Payroll and Benefits Payable	5,746,471	5,578,026	4,178,136	6,093,376	6,457,045
Accounts Payable	994,103	1,469,106	2,732,913	1,932,547	695,402
Unavailable Revenue-Taxes	1,822,755	1,917,395	1,774,802	2,084,164	1,921,882
Unearned Revenue	1,326,212	-	48,261	53,059	38,352
Matured Bond and Coupons Payable	446	-	-	-	-
Total Liabilities	10,499,108	11,674,230	10,332,866	11,103,156	10,438,547
Fund Balances:					
Nonspendable Prepays	-	-	-	31,174	51,070
Nonspendable Inventory	129,987	110,743	142,129	77,059	89,920
Unassigned	2,602,577	5,161,551	6,486,410	9,301,793	4,676,512
Total Fund Balances	2,732,564	5,272,294	6,628,539	9,410,026	4,817,502
Total Liabilities and Fund Balances	\$ 13,231,672	\$ 16,946,524	\$ 16,961,405	\$ 20,513,182	\$ 15,256,049

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

	2009	2010	2011	2012	2013
REVENUES:					
Local Sources:					
Taxes	\$ 30,964,987	\$ 32,598,515	\$ 33,202,301	\$ 33,371,731	\$ 33,527,166
Earnings on Investments	315,466	91,608	92,684	103,513	120,720
City of Lake Oswego Support	-	-	-	2,000,000	-
Other Local Sources	1,432,268	1,514,550	2,385,719	2,459,584	2,799,376
Intermediate Sources	408,530	377,719	275,995	348,881	367,765
State Sources	21,077,235	21,005,835	15,814,633	19,165,725	18,176,583
Federal Sources	152,377	136,830	3,554,609	1,490,620	35,202
Total Revenues	54,350,863	55,725,057	55,325,941	58,940,054	55,026,812
EXPENDITURES:					
Current:					
Instruction	32,584,174	31,438,327	32,518,900	31,892,417	34,089,602
Support Services	19,241,005	18,674,099	18,512,846	19,236,503	19,908,798
Capital Outlay	1,396,092	178,418	273,748	2,017,739	2,757,903
Debt Service:					
Principal	893,213	906,683	867,272	2,503,190	957,677
Interest	1,661,993	1,665,983	1,791,100	1,951,636	1,920,713
Total Expenditures	55,776,477	52,863,510	53,963,866	57,601,485	59,634,693
Excess (Deficiency) of Revenues Over Expenditures	(1,425,614)	2,861,547	1,362,075	1,338,569	(4,607,881)
OTHER FINANCING SOURCES (USES):					
Proceeds From Refunding of Long- Term Debt	-	-	-	1,660,000	-
Compensation for Loss of Capital Assets	-	-	-	-	25,100
Transfers Out	(320,249)	(302,573)	(37,216)	(152,012)	(22,604)
Total Other Financing Sources (Uses)	(320,249)	(302,573)	(37,216)	1,507,988	2,496
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	(1,745,863)	2,558,974	1,324,859	2,846,557	(4,605,385)
Increase (Decrease) in Inventories	(3,073)	(19,244)	31,386	(65,070)	12,861
FUND BALANCE, Beginning of Year	4,481,500	2,732,564	5,272,294	6,628,539	9,410,026
FUND BALANCE, End of Year	<u>\$ 2,732,564</u>	<u>\$ 5,272,294</u>	<u>\$ 6,628,539</u>	<u>\$ 9,410,026</u>	<u>\$ 4,817,502</u>

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