

OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2017



Oregon City School District No. 62
Clackamas County
Oregon City, Oregon

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017



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Clackamas County, Oregon
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December 5, 2017

Citizens and Board of Directors
Oregon City School District No. 62
1417 12th Street
Oregon City, Oregon 97045

Oregon Revised Statutes regarding Municipal Audit Law and State Financing of Public Schools require that the school district publish a complete set of audited financial statements within six months of the close of each fiscal year. A Securities Exchange Commission Rule requires that a district that has issued municipal bonds file annual financial statements with the Municipal Securities Exchange Repository through the Electronic Municipal Market Access System (EMMA). Pursuant to these requirements, we hereby issue the comprehensive annual financial report of the Oregon City School District No. 62 for the fiscal year ended June 30, 2017. This report is presented in conformity with accounting principles generally accepted in the United States of America and was audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Oregon.

This report consists of management's representations concerning the finances of the District. Consequently management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive frame work of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Pauly, Rogers, and Co. P.C. a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates

made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated Single Audit as required by the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Compliance Section of this report.

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

PROFILE OF THE DISTRICT

The District is one of 10 public school districts located in Clackamas County, Oregon. It is the sixteenth largest school district in Oregon, and the third largest in the county providing a program of public education from kindergarten through grade twelve. The District is required to report the number of students per school year to the state based on Average Daily Membership (ADM). ADM is the average number of full-time students enrolled in District schools and programs every day over the course of the entire school year compared to student enrollment which would be a snapshot on a given day of the headcount of all students enrolled. The District's ADM was 8,001 students in fiscal 2016-17. The projected ADM for fiscal 2017-18 is 7,903. The average age of all school buildings is 54 years.

Under Oregon law, the District is considered a financially independent, special-purpose municipal corporation, and is responsible for educating children residing within the boundaries of the District. The District discharges this responsibility by building, operating, and maintaining school facilities; developing and maintaining approved educational programs and courses of study, including vocational programs and programs for handicapped students, in accordance with State standards; and carrying out programs for transportation and feeding of pupils in accordance with District, State, and Federal guidelines.

The District's Governing Board, the Oregon City School Board is organized under Section 332 of the Oregon Revised Statutes. The Oregon City District School Board is elected on a District-Wide basis and is the governing body of the District. It is comprised of seven citizens and has oversight responsibility and control over all activities related to the District which include but are not limited to the hiring of the Superintendent, the adoption of the annual budget, and negotiations of collective bargaining agreements. The Board sets Board Governance Policies and collaborates with staff to craft District Policies which establish practical, ethical and legal boundaries for district staff and decision-making. A Budget Committee consisting of seven appointed volunteer members established by statute advise the Board on budgetary issues.

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Component units must be reported as part of the primary government if they meet a fiscal dependency criterion and a financial benefit or burden relationship exists as defined under the Governmental Accounting Standards Board (GASB) Statement No. 61. The District has determined that two of its sponsored Charter Schools should be reported as component units. Although operation of these schools is the responsibility of their individual boards, they are financially dependent on the state funding that the District is required to allocate to them, they utilize licensed District staff for instruction, and they utilize many District services per their contracts with the District. The District acts as the fiduciary for their financial activity and accounts for their district related activity separately from its own records.

The Oregon City School District is required by the State of Oregon to adopt an annual budget per Oregon Revised Statutes (294.305 through 294.565 inclusive). Oregon Budget Law specifies a process and format for a district's annual budget preparation and presentation. A school district is required to publish a budget using at least a "minimum chart of accounts" which includes fund, function and object. Each year, the District follows a process to develop and adopt a budget for the following school year. The District's Budget Committee approves a budget and forwards it to the School Board for final adoption. The School Board normally approves the budget in May or early June for the final adopted budget but can make changes to it prior to July 1. Once adopted, the budget represents the financial plan for the School District. It contains estimates of revenues and expenditures needed to support the program offerings of the District for a single fiscal year. The budget is prepared for all funds which include Governmental, Proprietary and Fiduciary Funds. The annual expenditure budget serves as the foundation for the District's financial planning and control as revenue is estimated. Actual expenses may not exceed the appropriated amount of the budget by function and fund. The budget does change throughout the year as revenue amounts change and funds are transferred between various accounts to meet the needs of District instructional programs and services. Transfers are made in accordance with policy relating to Appropriation and Budget Transfers to ensure compliance with Local Budget Law.

In 1872, Oregon's legislature passed a law giving county school superintendents authorization to establish school districts. In November 1874, then County School Superintendent, W. W. Moreland established district number sixty-two now known as Oregon City School District No. 62. It is the oldest "district" in the county, but it is not recognized as such because its schools were under city control for many years until 1874. Clackamas County is located just to the south and east of the city of Portland and, together with Multnomah, Washington, Columbia, and Yamhill counties, is considered part of the Portland Metropolitan Statistical Area.

The District consists of 6 elementary schools, 2 middle schools, 1 high school, and 4 District sponsored charter schools that are located within its boundaries. Two of the charter schools are high schools – Oregon City Service Learning Academy (OCSLA) and Clackamas Academy of Industrial Sciences (CAIS). CAIS also admits eighth grade students. The two other charter schools are independently operated. Springwater environmental Sciences School is a kindergarten through 8th grade school and the Alliance Charter Academy is a grade K-12 charter school.

In 2016-17, District management staff included a Superintendent, a Cabinet consisting of a Director of Special Services, a Director of Special Programs, a Director of Teaching and Learning, a Director of Human Resources, a Director of Operations, and a Chief Financial Officer. In addition, management includes directors, principals, vice principals and supervisors. In total, for Fiscal 2016-17, the District employed over 800 staff members. Instructional staff consists of teachers, counselors and librarians. Support staff consists of instructional assistants, secretaries, bus drivers, cooks custodians, maintenance personnel and other support staff.

On December 10, 2015, Congress repealed the *No Child Left Behind Act* (NCLB). The NCLB Act required districts to be accountable for low performing schools. A rating was given to schools based on the percentage of low-income, minority, special education and limited-English students who passed state reading and math tests. Schools that were judged as inadequate and that received federal funding for improvement had to offer free tutoring, and students were given priority rights to transfer to a different school. Schools had to demonstrate improvement on ratings within a limited time period or face punitive consequences. NCLB did not take into account a school's unique circumstances or challenges. Oregon was granted waivers from the NCLB Act beginning in 2012 through the 2015-16 school year. The waivers required that Oregon create a new accountability system to replace the provisions of the NCLB Act.

When Congress repealed the NCLB Act, they replaced it with the Every Student Succeeds Act (ESSA). The new act changes the oversight of schools from the federal level to the state level. Under ESSA, Oregon was required to make decisions about how to rate schools, how to evaluate their teachers and how to assist poorly performing schools. ESSA requires states to:

- Adopt new academic content standards that align to higher education requirements and to career and technical education (CTE) expectations
- Administer annual assessment tests for students in reading, mathematics and science
- Ensure 95 percent student test participation and allows states to create their own testing opt-outs
- Establish achievement goals for students
- Create an accountability system that is meaningful to measure school performance
- Use the accountability system to identify schools in need of comprehensive support
- Provide the support needed for the schools that are identified
- Implement plans to ensure equitable access of supports for teachers, students living in poverty and students of color

The NCLB Act expired June 30, 2016; however the law was to remain in effect through the 2016-17 school year giving states the time to reorganize their systems for the replacement of the act. Each state submitted new accountability plans to the U.S. Department of Education. Oregon's State Plan was approved by the U.S. Department of Education on August 30, 2017. Oregon's State Plan is comprised of the following key commitments:

- Prioritizing and Advancing Equity
- Extending the Promise of a Well-Rounded Education
- Strengthening District Systems
- Fostering Ongoing Engagement

Oregon's plan is focused on ensuring that every Oregon student graduates from high school ready for college or career-ready. The state continues to support the goal of 40-40-

20: 40 percent of students to receive a bachelor's degree, 40 percent of students to receive an associate's degree or certificate, and 20 percent of students to receive a high school diploma or equivalent by the year 2025. More information about ESSA can be found on the state's website:

<http://www.oregon.gov/ode/rules-and-policies/ESSA/Pages/default.aspx>

In 2010, the Oregon Department of Education adopted Common Core State Standards (CCSS) for English language arts and mathematics. The standards define the knowledge and skills students should have developed in their K-12 education so that they will graduate from high school ready to succeed in entry-level, credit bearing academic college courses and in workforce training programs. The State utilized the Common Core Standards as guidance for success in meeting the requirements of the current NCLB act in 2016-17, and then to meet the requirements of the new state standards for ESSA. To measure whether students are meeting the state standards, the state is currently using the Smarter Balanced Assessment Tests. This system is set up to support the Common Core Standards. It is utilized throughout a school year to provide student data that will inform instruction, guide interventions, help to target professional development and to ensure an accurate measure of each student's progress toward career-and-college readiness. Additional information regarding the Smarter Balanced Assessment Tests can be found on the following website:

<http://www.smarterbalanced.org/>

The District Report Card shows the "District Profile" section which includes, but is not limited to student enrollment, ethnicity and median class size. The "Progress" section shows scores for the first year of the Smarter Balanced Assessment Tests by grades. There are 4 performance levels. Levels 3 and 4 are the levels where students are meeting the standards for school and district accountability. Comparatives between the entire state and a "Like-District Average" are shown. Other sections include, but are not limited to the graduation rate, student group outcomes, and the curriculum and learning environment. It was announced in 2016-17 that Oregon City High School had a 94% graduation rate for 2015-16 which was the highest of all high schools in the Portland metro area. The District's 2016-17 report card and its report cards by school can be found on the following website:

<http://www.oregon.gov/ode/schools-and-districts/reportcards/reportcards/Pages/default.aspx>

For the 2015-17 biennium, the District continued to focus resources on raising its graduation rates using programmatic strategies. Major initiatives of the District are set by its Mission Statement: "With high expectations, we engage all students in meaningful learning activities to prepare them for successful lives."

The District focuses its efforts on instruction and operations.

Improvement of Instruction

Oregon City School District is committed to the State of Oregon's vision for preparing all students for college and careers. The District demonstrates this commitment by focusing efforts in the areas below:

Staff Development Efforts: The District uses available release time for embedded and ongoing support to staff which is focused on the major instructional shifts required of the Common Core State Standards for educator effectiveness. It has organized professional development into four strategic areas: 1) high quality instruction in the classroom, 2) standards based learning goals, 3) formative assessments and data analysis, and 4) monitoring the progress of student learning.

Professional Learning Communities: The District trains educators in the professional learning community concepts of collaboration, getting and utilizing effective data analysis, and guides instructional practices to meet the differentiated needs of students.

Professional Standards for Quality Instruction: The District strives to increase the proficiency of its administrators and teachers utilizing evaluation rubric for assessing high quality classroom instruction. It strives to promote a collaborative culture where student achievement is a number one priority.

Common Core Standards: The District continues to implement the Common Core Standards building collaborative leadership networks within the district that support implementation of educator effectiveness and that problem solve implementation challenges.

Positive Behavior and Intervention Supports (PBIS): The District continues the enhancement of a district wide systems approach to preventing and responding to school and classroom discipline problems. The District completed its twelfth year of Positive Behavior Intervention Support for improvement and staff development.

Equity: The District reviews all instructional practices to ensure inclusiveness in providing high quality and advance learning opportunities to all identified minority sub groups, and to ensure that resources are utilized effectively to support all students.

Improvement of Operations

Energy Conservation: The District concentrates on improving utility systems with limited resources to gain cost savings.

Communication: The District continues to improve outdated communication systems as resources allow. It continuously works on online resources focusing on the goal to improve all communication with all stakeholders in various forums.

Community Education: The District serves its student population and the community by offering participation in non-school day educational and athletic programs, pre-school

programs, and offering community education programs to meet strong community needs for expanded services.

Technology: The District promotes the strategic use of technology to promote instruction and operations. The District has invested millions of dollars to upgrade classroom instructional technology for teachers and students. Continued financial investments will be necessary to maintain the District's current network infrastructure and technology tools.

Transportation: The District improved its transportation services with the construction of a new transportation facility that opened at the end of fiscal 2016. It made strategic investments in order to accomplish this.

Long Range Capital and Facility Planning: The District is currently in the process of working with the School Board to float general obligation bonds in the near future. The District went through a long range facility and capital planning process to analyze, identify, and recommend solutions for the District's aging facilities to support quality future instruction. The District's current general obligation bonds will be fully matured in the 2018-20 biennium.

ECONOMIC CONDITION

Clackamas is Oregon's third most populous county. Population within the county grew approximately 43% between 1970 and 1980. Between 1980 and 1990 the County's population grew by over 15% in spite of a recession during the early 1980's. From 1990 to 2000, the County's population increased by 21%. From 2000 to 2010 Clackamas County grew by slightly over 11%. The most current data from 2010 to July 1st 2016 shows population growth at 8.5%. Population growth for students under 18 years declined by 1.9% over the same period. These statistics were obtained from the United States Census Bureau website.

The District's most current enrollment projection prepared by Portland State University in March 2017 indicated that the District will experience declining enrollments overall until 2020-21. The middle range forecast for enrollment shows that it will increase overall by approximately 563 students in the next ten years. Enrollment will increase in 2021-22 over 2016-17 by 2.7% and by 4.7% by 2026-27 from 2021-22. By 2026-27, the elementary grades will show the largest increase of 8.9%, then middle schools with 5.7%. The high school is predicted to experience a decrease of 1.6% during the same period. A contributing variable will be the ongoing impact of charter schools in the District. Enrollment growth in District schools in the near term would be a significant positive contributing factor to the District's financial stability. Downturns decrease the amount of state funding that the District receives. The following table prepared by Portland State University shows Middle Range Forecast Enrollment for the District by school levels.

Historic and <u>Middle</u> Range Forecast Enrollment by School Level (K-5, 6-8, 9-12) Oregon City School District					
	Actual			Forecast	
	2006-07	2011-12	2016-17	2021-22	2026-27
Grades K-5 <i>5 year change</i>	3,679	3,321 -358 -9.7%	3,272 -49 -1.5%	3,372 100 3.1%	3,673 301 8.9%
Grades 6-8 <i>5 year change</i>	1,900	1,903 3 0.2%	1,692 -211 -11.1%	1,731 39 2.3%	1,830 99 5.7%
Grades 9-12 <i>5 year change</i>	2,374	2,335 -39 -1.6%	2,461 126 5.4%	2,525 64 2.6%	2,485 -40 -1.6%
Total <i>5 year change</i>	7,953	7,559 -394 -5.0%	7,425 -134 -1.8%	7,628 203 2.7%	7,988 360 4.7%
<i>Includes OCSLA and CAIS. Does not include Alliance Academy or Springwater. Actual: Oregon City School District, September 30 quarterly report information. Forecast: Population Research Center, PSU, February 2017.</i>					

The District's economic base has traditionally been focused on agriculture, manufacturing, warehousing, and tourism. Manufacturing, distribution, and the service industry are becoming increasingly important as Oregon City becomes further integrated into the Portland metropolitan area. Oregon City itself is "The End of The Oregon Trail" and the area is rich with historical importance and tourist attractions. Community, business, and civic leaders are energetically working together to develop Oregon City as a regional hub for transportation and services. Whereas past economic conditions have been robust, in the recent past the area experienced a dramatic slowdown due to The Great Recession. However, since then the economy has improved and picked up rapidly. Oregon's seasonally adjusted unemployment rate in June 2017 was 3.7% and lower than the national average of 4.4%. The Oregon Employment Department reports a non-farm payroll employment gain of 38,700 jobs from September 2016 to September 2017. The department reported that job growth is moderate, but it is slowing over the increased rates that Oregon experienced in recent years. Construction, health care, social assistance and manufacturing are adding jobs at a rapid rate, but the government jobs rate is slowing down, and jobs in the government education sector decreased over the same period. Since Oregon is highly dependent on income tax collections to fund the state budget, additional job growth helps to fund increases in state financial support of local public schools.

Care and upkeep of the District's aging facilities continues to be a financial and operational challenge. For this reason, the School Board is currently considering the issuance of new General Obligation Bonds to replace and renew aging schools. The newest elementary school was built in 1975 while the average age of all elementary schools is 59 years. The District's two middle schools were built in 1954 and 1965, over 50 years ago with an average age of 58 years. Construction of modular classrooms in

2012 and 2013 provided limited modern classroom space. Oregon City High School was constructed in 2003 and maintenance needs at the school are increasing.

Oregon City School District receives approximately 63% of its General Fund revenue from State controlled sources, and the State defines over 96% of our General Fund revenue through state school fund calculations. Fall-out from the great recession continues to affect the financial stability and operations of the District. The state school fund general support was flat for the District from 2010-11, 2011-12, and 2012-13. With the declining state allocation from the Oregon Legislature combined with declining interest rates for investments and the inability, given the state of the local economy to collect fees, the District was unable to support the same level of programs at 2010-11 levels for biennial 2011-13. The District's largest expense is labor and its associated costs which includes the Oregon Public Employees Retirement System (PERS). For 2011-12 the District balanced the budget with a district-wide salary freeze and furlough days to close a \$5.9 million dollar deficit. For 2012-13, the District closed two elementary schools, froze supply budgets, reduced its contingency account, and received continued employee compensation concessions to balance the budget. For the 2013-15 biennium, state school funding increased. With increased state funding for the 2013-15 biennium, the District still needed employee concessions to balance the 2013-14 budget. In 2014-15 with an increase of \$100 million added to the state school fund, for the first time in six years the District did not have to take budget reductions and was able to add a small amount of resources to targeted areas, and it restored a full calendar for students. For the 2015-17 biennium, the state school fund is eleven percent higher than the 2013-15 biennium. Because the District implemented full day kindergarten for the 2015-16 budget, most of the increased state funding resources were utilized to increase staff for this purpose. The District also made a small investment to increase instructional materials. In 2016-17, the District again made small investments in program expansion, instructional materials and student technology, made cost of living adjustments and health insurance increases for all employees, and continued with a full year calendar for students and staff. For the upcoming biennium, the state is experiencing astronomical increases in the cost of its Public Employees Retirement System (PERS). This is translating to a tough reality for the District in that it cannot meet all of its operational needs even though its state allocation of funding increased. Costs are increasing beyond the increased resources provided by the state school fund. The 2017-18 budget only maintains current service level operations and as of this date, a shortened employee calendar by one day for one of its employee associations and its administrators. The other employee association has not settled its contract yet. Assumptions used in the preparation of the 2017-18 budget can be found in the Superintendent's Message in the District's 2017-18 Adopted Budget Book on the District's website.

OTHER DISTRICT EVENTS

Highlights of 2016-17 School Board Meetings included but were not limited to the following:

Summer Quarter

In August 2016 the School Board approved a resolution authorizing financing for the purchase of 130 apple laptops for District teachers. In September 2016 the Board ratified the Classified and Licensed Collective Bargaining Agreement for 2016-17.

Fall Quarter

In October 2016, the Board ratified the Administrators Employment Agreement. The Board approved the 2016-17 Budget Development Calendar, and they approved an Amended Promissory Note from the buyers of the District's Maple Lane property. At its November 2016 meeting, the School Board appointed the District Budget Committee members. In December of 2016, the Board approved to declare the Transition House property located at 1505 12th Street in Oregon City as surplus property. The Board appropriated grant budget for the receipt of the Kindergarten Partnership Innovation Programming from Clackamas County in the amount of \$195,087.

Winter Quarter

In January 2017 the School Board approved 2017-18 Non-Resident Admission Criteria and 2017-18 Inter-district Transfer Criteria. In the same month, the Board approved the purchase of school buses and a food service delivery van. Due to inclement weather, the Board approved the revision of the 2016-17 school calendar to meet annual state instructional requirements and awarded the construction management services contract to Day CPM Services for the District's bond renewal project. In March 2017 the School Board approved the renewal of the Springwater Environmental Sciences Charter School, adopted the Clackamas Education Service District's Local Service Plan for 2016-17, affirmed the District's commitment to safe, caring and inclusive leaning environments, and approved a resolution in support of immigrant students and their families. In addition, the Board adopted an equity policy.

Spring

In April of 2017, the Board awarded the contract for architecture and engineering services for its bond renewal project to Dull Olson Weekes – IBI Group Architects Inc. In May of 2017, the School Board adopted the final version of the 2017-18 school calendar and the 2018-19 calendar framework. In the same month, the Board approved the purchase and financing for 2017-18 of a modular classroom building to support increasing enrollment at Gardiner Middle School, and they approved a financing package for bus purchases for 2017-18. In June the Budget Committee approved the 2017-18 proposed budget, and in a subsequent meeting, the School Board adopted it.

In addition throughout the 2016-17 fiscal year at various meetings, the School Board began to approve the revision of all of the District's Board Policies, and approved other

current policy revisions as needed. All current School Board Policies, Agendas and Minutes are posted on the District's website.

It is the District's intent to remain centered on student achievement through its commitment to its Mission, Vision and Guiding Principles. In several School Board meetings throughout fiscal 2016-17, District personnel gave presentations related to the promotion of its Guiding Principles in relationship to accomplishing specific goals to enhance student achievement. These presentations are in the form of Reports. Details of these reports can be found in the School Board Agendas for fiscal 2016-17. The District's Mission is "*With high expectations, we engage all students in meaningful learning activities to prepare them for successful lives.*" The District's Mission Statement, its Vision and its Guiding Principles can be found on the District's website.

<http://ocsd62.org/>

AWARDS AND ACKNOWLEDGEMENTS

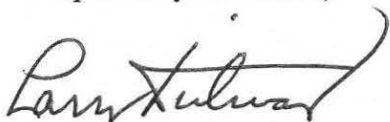
The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to Oregon City School District No. 62 for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the 25th consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Association of School Business Officials International (ASBO) awarded its Certificate of Excellence in Financial Reporting to the District for the 25th year.

We wish to express our appreciation to the entire Fiscal Services Department staff for their efforts and contributions to our Comprehensive Annual Financial Report. We also thank the members of the School Board for their continued support and dedication to the financial operations of the School District.

Respectively submitted,



Larry G. Didway, Jr.
Superintendent



Susan Dodd
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Oregon City School
District No. 62**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Oregon City School District No. 62

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



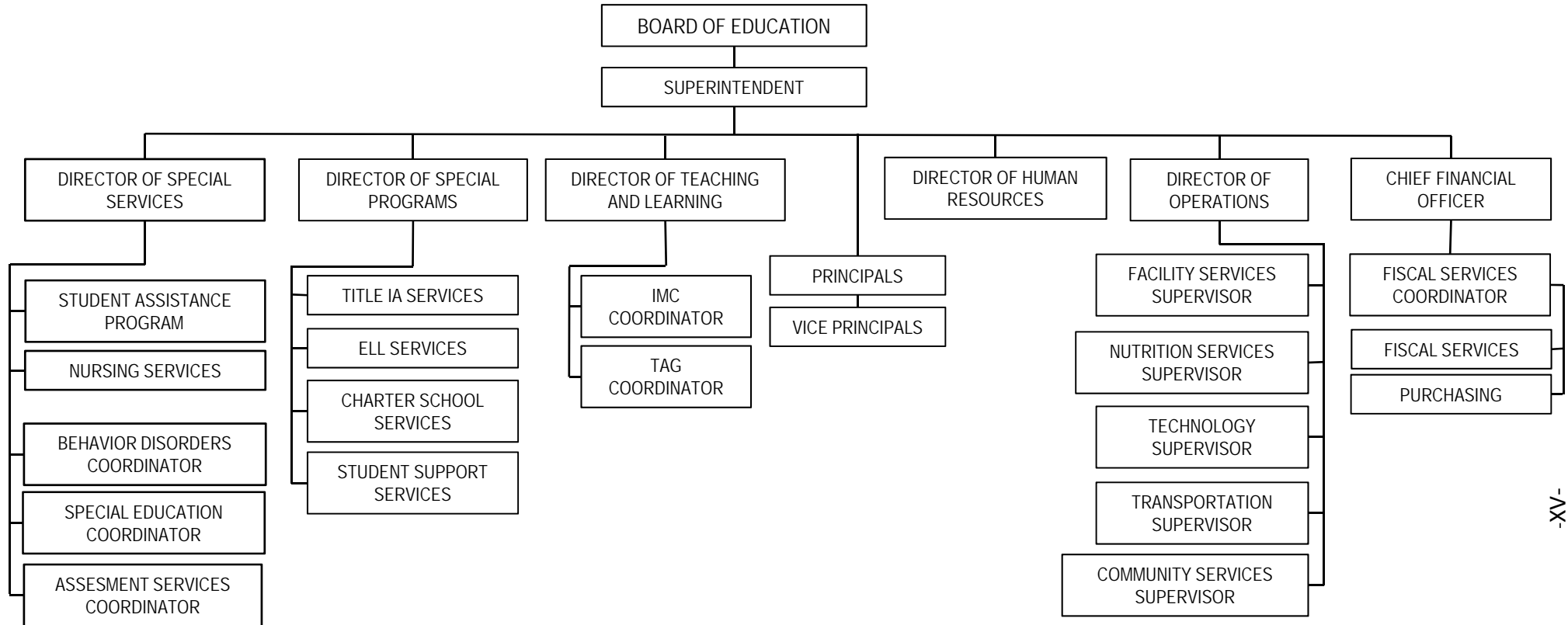
A handwritten signature in black ink, reading 'Anthony N. Dragona', written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, reading 'John D. Musso', written over a horizontal line.

John D. Musso, CAE
Executive Director

OREGON CITY SCHOOL DISTRICT NO. 62
Organization Chart
June 30, 2017



OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Officials of the District
June 30, 2017

BOARD OF DIRECTORS

<u>Name</u>	<u>Term Expires</u>
Cameron Seward, Chair 4748 S.E. Ina Avenue Milwaukie, OR 97267	June 30, 2019
Connie Curteman, Vice Chair PO Box 966 Beavercreek, OR 97004	June 30, 2017
Troy Bolinger 520 6 th St. Oregon City, OR 97045	June 30, 2017
Siobhan Gwozdz 16551 S. Bradley Rd. Oregon City, OR 97045	June 30, 2019
Chris Storey 14938 Haida Ct. Oregon City, OR 97045	June 30, 2019
Evon Tekorius 19425 Daybreak Court Oregon City, OR 97045	June 30, 2017
Nicole White 16260 S. Hilltop Rd. Oregon City, OR 97045	June 30, 2019

DISTRICT ADMINISTRATION

Larry Didway, Superintendent
Michael Loretz, Director of Special Programs
John Ogden, Director of Human Resources
Cynthia Panko, Director of Special Services
Wes Rogers, Director of Operations
Carol Sanders, Director of Teaching and Learning
Susan Dodd, Chief Financial Officer/Deputy Clerk

DISTRICT ADDRESS

Administration Office
1417 12th Street
Oregon City, Oregon 97045



PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

December 5, 2017

To the Board of Directors
Oregon City School District No. 62
Clackamas County, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units of the Oregon City Service Learning Academy and the Clackamas Academy of Industrial Sciences, each major fund, and the aggregate remaining fund information of Oregon City School District No. 62, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the 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 preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

December 5, 2017

Board of Directors

Oregon City School District No. 62

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 units, each major fund, and the aggregate remaining fund information of the Oregon City School District No. 62, as of June 30, 2017, and the respective changes in financial position and budgetary comparisons for the General Fund and Special Revenue Fund, and where applicable the cashflows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 77 – Tax Abatement Disclosures as well as GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets that are not in the Scope of GASB Statement 68 for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal expenditures is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal expenditures 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 supplementary information, as listed in the table of contents, and the schedule of federal expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

December 5, 2017

Board of Directors

Oregon City School District No. 62

The introductory and statistical sections listed in the table of contents have 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 them.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 5, 2017, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in cursive script that reads "Tara M. Kamp, CPA".

Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Management Discussion and Analysis (MD&A)
JUNE 30, 2017

As management of Oregon City School District 62, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We present this information in conjunction with the information furnished in our Transmittal Letter which can be found in the introductory section of this report, and with the District's financial statements, which follow.

Financial Highlights

- During the 2016-17 fiscal year the District's financial position decreased by \$4.15 million. The decrease is largely attributed to the implementation of the Governmental Accounting Standards Board GASB 68 which requires that employers recognize the unfunded accrued liability or asset for their pension plan in their Statement of Net Position. This requires the District to allocate pension expenses associated GASB 68 to District expenses in the Statement of Activities. For 2016-17, this consisted of an \$8.52 million dollar decrease in Unrestricted Net Position. Net investment in Capital Assets increased by \$5.73 million while the amount restricted for facilities decreased by \$1.47 million. The new Transportation Facility was opened and completed and fully capitalized in 2016-17. The remaining difference is recognized as normal operations costs of the District.
- The District had \$97.82 million in expenses related to governmental activities, which was offset by \$2.67 million of program-specific charges for services provided within the District and by \$5.14 of Capital Grants and Contributions. With the offsets, expenses decreased by \$17.17 million, chiefly due to changes in pension reporting required by the GASB rules 68 and 73. These changes affected reporting of deferred inflows and amortization of inflows/outflows of pension reporting. Though this change identifies a perceived decrease over the prior year, it has little effect on actual district expenditures during the reporting period.
- In the government-wide statements, the liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at June 30, 2017 by \$18.95 million. Of this amount, \$45.45 million represents the District's net investment in capital assets, \$1.34 million is restricted for debt service, \$2.34 million is restricted for grants, \$1.38 million is restricted for facilities use, and the balance of negative \$69.46 million is considered unrestricted. A negative balance normally indicates that no funds were available for discretionary purposes; however the negative balance of unrestricted funds is attributable to the implementation of GASB 68 and as such reflects funding dedicated to future financing of the District's pension plan. If GASB 68 adjustments are not taken into consideration, the unrestricted net position decreased by \$.68 million. This is attributed to increased investment in capital assets and funding set aside for grants and projects netted with increased spending in facility projects with increased expenditures in instruction and support and a slight decrease in revenue from the prior year.
- The District's governmental funds reported a combined ending fund balance of \$7.75 million at June 30, 2017, a decrease of \$2.91 million from the prior year. Restricted funding for capital assets decreased from the prior year as the Capital Projects Fund was spent down by \$1.47 million on the new Transportation Facility. Unassigned funding decreased by \$1.71 million with decreased revenue and increased operational spending. Other funds changes amounted to an increase of \$.27 million.
- At the end of the fiscal year the unassigned fund balance for the General Fund was \$2.95 million, or 3.76% of total General Fund revenue compared to \$4.66 million and 5.94% for 2016.
- Student Average Daily Membership or ADM (enrolled students based on days of attendance) of 8,001 decreased by 93 (1.16%) in 2016-17, compared to the prior year of 8,094, but the District still received an increase of \$1.18 million in State Grant In-Aid for the General Purpose Grant based on an increased allocation to the state school fund which is supported by the state budget for 2016-17. A portion of the payment is based on adjusted enrollment (average daily membership weighted average or ADMw) which factors in such items as the poverty rate and English language learners. For the year 2016-17, the ADMw was equal to the 2015-16 ADMw because the state bases the allocation on the higher of the ADMw from the current year or the prior year. For more information about Oregon State Grant-In-Aid refer to the Oregon Department of Education website.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Management Discussion and Analysis (MD&A)
JUNE 30, 2017

statements. The focus is both on the District as a whole (government-wide) and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden a basis for comparison, and enhance the District's accountability. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *Government-Wide Financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for the government-wide financial statements. These statements include:

- **The Statement of Net Position:** The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date on the statement with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- **The Statement of Activities:** The *Statement of Activities* presents information showing how the net position of the District changed over the most recent fiscal year by tracking revenues and expenses that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the Statement of Net Position and the Statement of Activities, operations of the District are divided into two kinds of activities:

Governmental Activities: These activities outline the main functions of the District and are principally supported through Oregon's State School Fund, property taxes, and other intergovernmental revenues. The governmental activities of the District include instruction, both regular and special education, support services, administration, operation and maintenance of plant services, student transportation services, child nutrition services, facilities services, operation of other non-instructional services, and interest on long-term debt.

Component Units: The District sponsors four charter schools. The District has included two of the charter schools operations in the financial statements because of the significance of their operational and financial relationship with the District. Although legally separate, exclusion of them because of their relationship with the District would cause the District's financial statements to be misleading or incomplete. Information about the component units is disclosed in Note 1 in the Notes to the Basic Financial Statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The *Fund Financial Statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. The Oregon City School District No. 62, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District fit into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds:** The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-Wide financial statements. However, unlike the Government-Wide Financial Statements, Governmental Fund Financial Statements use the modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the Governmental Funds

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Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds all of which it considers major. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and changes in Fund Balances for the General Fund, Special Revenue Fund, Debt Service Fund, Debt Service Pension Obligation Fund, and the Capital Projects Fund.

- **Proprietary funds:** The District maintains one type of proprietary fund: an Internal Service Fund. Internal Service Funds are accounting devices used to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for risk management insurance activity. Because the internal services recorded in the Internal Service Fund benefit governmental functions, it has been included within governmental activities in the Government-Wide Financial Statements.
- **Fiduciary funds:** Fiduciary funds account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support the District's own programs. Due to their custodial nature, fiduciary funds do not have a measurement focus. The District has eleven fiduciary funds which serve as scholarship funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

This report presents certain required supplementary information concerning the District's required actuarial estimate of funding progress of the District's early retirement program and post-employment health care subsidy.

Other supplemental information follows the required supplementary information including additional budgetary information. Statistical information follows the supplemental information.

Government-Wide Financial Analysis

Statement of Net Position

Governmental entities are required by Generally Accepted Accounting Principles (GAAP) to report on their net position. The Statement of Net Position presents the value of all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Net position may serve over time as an indicator of the District's financial position. As of June 30, 2017, District's liabilities and deferred inflows exceeded assets and deferred outflows by \$18.95 million. In 2015-16, the District's liabilities and deferred inflows exceeded liabilities and deferred inflows by \$14.80 million as restated for GASB 73.

Capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent 78.88% of total assets. The remaining assets consist of cash, investments, receivables, and prepaid expenses.

Deferred Outflows of Resources represents a deferral of expenses on bond refunding, other post-employment benefits and pension plan expenses. There is a loss on bond refunding which is the unamortized portion of the difference between the original cost of 2004 general obligation bonds refunded in fiscal 2013 and fiscal 2014. The other post-employment benefit represents a disclosure required by GASB 73. It is based on the District's early retirement pension liability and consists of a change in assumptions and contributions made subsequent to the measurement date based on actuarial calculations. See Note 10 – Early Retirement in the Notes to the Financial Statements. The pension plan Deferred Outflow represents components of pension plan actuarial calculations of the plan for purposes of GASB 68. See Note 13 - Defined Benefit Pension Plan in the Notes to the Financial Statements.

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The District's largest liability (93.09% versus 90.91% in 2016) is for the repayment of long-term obligations and the proportionate share of net pension liability related to GASB 68. Other liabilities represent 6.91% of the District's total liabilities versus 9.09% in the previous year and consist almost entirely of current debt payable, payables on accounts and other funds, salaries and benefits, accrued interest on long-term obligations.

Deferred Inflows of Resources represents the difference between the employer contributions and the employer's proportionate share of system contributions which is disclosed as required by GASB 68. See Note 13 – Defined Benefit Pension Plan in the Notes to the Financial Statements.

A large portion of the District's net position reflects its investment in capital assets net of accumulated depreciation (e.g. land, buildings, vehicles and equipment) and related outstanding debt (General Obligation Bonds and leases) used for acquisition of some of the assets. The District uses these capital assets to provide services to students and other District residents. The capital assets acquired through this debt may not be used to liquidate these liabilities because the resources needed to repay this debt must be provided from other sources (generally property taxes) under the terms of the bond debt and lease agreements. The other large amount, the negative Unrestricted Net Position represents mainly the applications of GASB 68 and 73 combined with any remaining fund balance available for general operations in the District's General Fund.

The following table shows current and prior year Government-Wide Statements of Net Position.

Statement of Net Position		
	Governmental Activities	
	2017	2016
Assets		
Current and Other Assets	\$ 22,261,235	\$ 25,555,444
Capital Assets	83,140,612	84,363,332
Total Assets	105,401,847	109,918,776
Deferred Outflows of Resources	36,243,265	7,130,405
Liabilities		
Current Liabilities	19,506,092	20,618,440
Long-term Liabilities	140,313,800	105,497,860
Total Liabilities	159,819,892	126,116,300
Deferred Inflows of Resources	771,862	5,460,822
Net Position		
Net Investment in Capital Assets	45,454,976	39,725,603
Restricted for Debt Service	1,341,695	1,315,080
Restricted for Grants	2,337,769	1,569,550
Restricted for Facilities	1,379,188	2,848,217
Unrestricted	(69,460,270)	(60,253,561)
Total Net Position	\$ (18,946,642)	\$ (14,795,111)

Statement of Activities

The District's Change in Net Position on the Statement of Activities went from (\$20.48) million for 2015-16 to (\$4.15) million for 2016-17, a \$16.33 million increase. The key elements of the change in the District's net position for the year ended June 30, 2017 are as follows:

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Increases

- Revenue from property taxes increased by \$1.17 million. This is attributed to higher assessed values and economic improvement for fiscal 2016-17
- Expenses for Instructional Services decreased by \$9.77 million. \$10.89 million is attributable to the GASB 68 adjustment for the current year in relation to the prior year. An increase of \$1.12 million accounts for the difference. This is attributed to a net increase in expenses which include contractual agreements, supplies and services. This is mainly attributed to an increase in depreciation expense based on the opening of the transportation facility netted with other minor changes.
- Expenses for Support Services decreased by \$6.44 million. \$5.57 million is attributable to the GASB 68 adjustment for the current year in relation to the prior year. An additional decrease of \$.87 million accounts for the difference. This is attributed to a net increase in expenses which includes increases for contractual agreements, supplies and services netted with a decrease in depreciation allocated to Support Services.
- Community Services expenses decreased by \$.75 million. \$.85 million is attributable to the GASB 68 adjustment for the current year in relation to the prior year. An increase of \$.10 million accounts for the difference. This is attributed to a net increase in depreciation allocated to Community Services.

Decreases

- The District's net State School Fund support decreased from the prior year in the amount of \$1.66 million. All of this is attributed to the timing of the State School payments. Every year the prior year allocation of state school funding is adjusted each May and other specific local revenues such as property taxes are subtracted out of the general purpose allocation each year. The District's final allocation for 2015-16 combined with 2016-17 was decreased due to lower final ADM for 2015-16 and higher than estimated property taxes collected by the District for both years.

Other minor elements when combined total a net decrease of \$.14 million dollars.

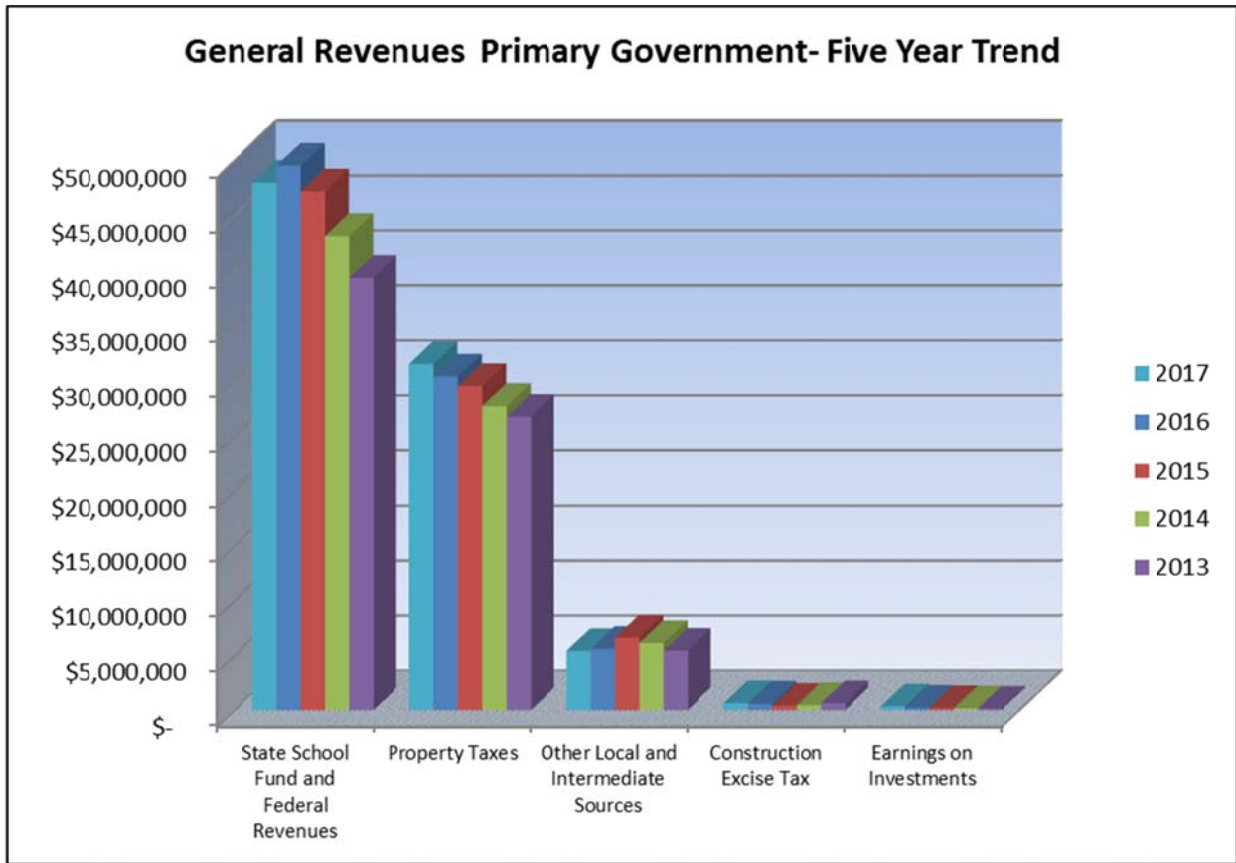
The following table shows the details of the changes.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Management Discussion and Analysis (MD&A)
JUNE 30, 2017

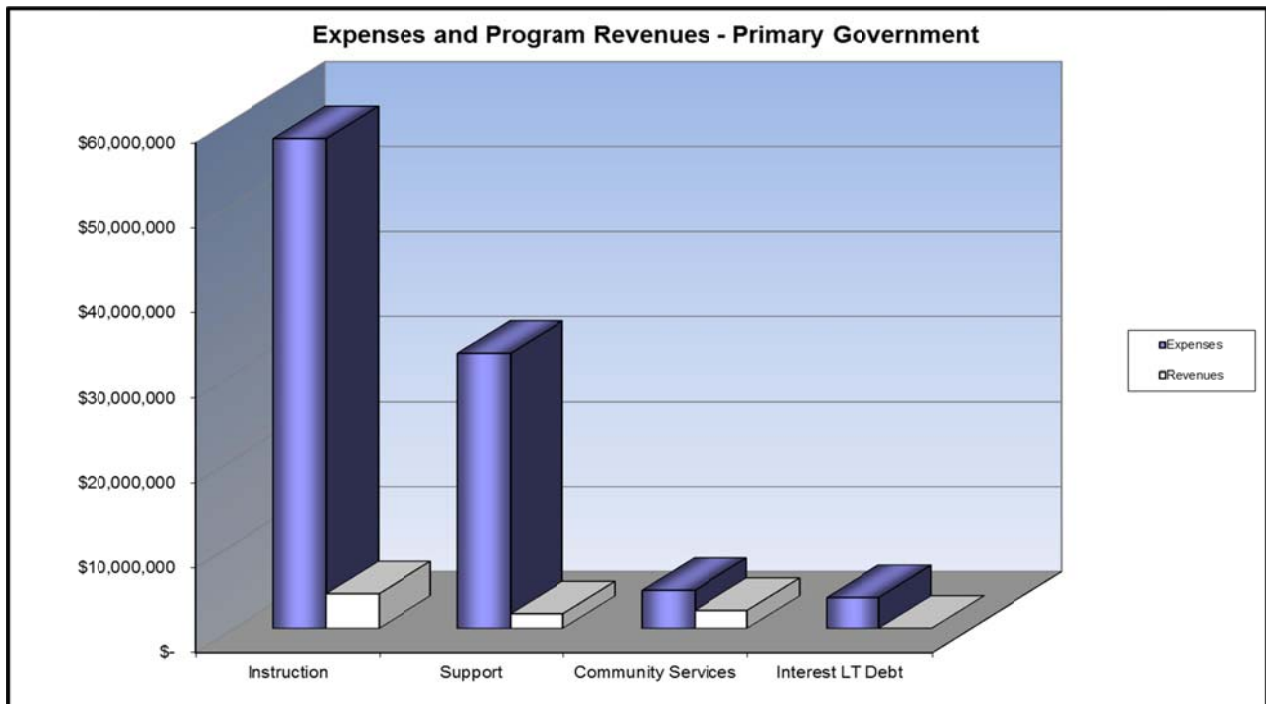
Changes in Net Position		
	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues:		
Charges for Service	\$ 2,760,015	\$ 2,809,266
Operating Grants and Contributions	5,142,411	5,457,418
Capital Grants and Contributions	-	27,154
General Revenues:		
Property Taxes	31,466,263	30,329,381
Construction Excise Tax	621,544	583,471
State School Fund - General Support	47,774,072	49,433,074
Federal Forest Fees - General Support	181,064	76,413
Earnings on Investments	330,730	214,003
Other Local and Intermediate Sources	5,388,649	5,572,780
Total Revenues	<u>93,664,748</u>	<u>94,502,960</u>
Expenses:		
Instructional Services	57,456,828	67,230,267
Support Services	32,250,044	38,686,480
Community Services	4,477,126	5,230,631
Interest on Long-Term Debt	3,632,281	3,838,072
Total Expenses	<u>97,816,279</u>	<u>114,985,450</u>
Change in Net Position	(4,151,531)	(20,482,490)
Net Position Beginning of the Year	(14,527,941)	27,928,182
Net Position - Beginning of Year as restated	(267,170)	-
Prior Period Adjustment	-	(21,973,633)
Net Position - End of Year	<u>\$ (18,946,642)</u>	<u>\$ (14,527,941)</u>

The following chart shows General Revenues by Source for the Primary Government over five years. Property taxes have increased as the state moves out of the recession, but in the current year the State School Fund revenue declined due to lower District ADM and higher property tax collection rates. Other local revenue declined slightly in 2016-17 based on lower fees collected for extra-curricular activities at the high school related to high school band activities.

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The following chart compares expenses of the Primary Government with associated revenues for the current fiscal year:



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Financial Analysis of the District's Funds

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

Governmental funds

The focus of the District's governmental funds is to provide information on 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 a government's net resources available for spending at the end of a fiscal year.

At the end of June 30, 2017, the District's governmental funds reported combined ending fund balances of \$7.75 million, a decrease of \$2.91 million in comparison with the prior year that had a decrease of \$11.25 million. In prior years debt was issued to facilitate the construction of the new transportation and maintenance facility. In the current year the funding restricted for it was fully spent down to complete the construction of it. Restricted funding totaled \$4.65 million for the current year. It decreased by \$1.19 million mainly due to the construction of the transportation and maintenance facility. Restricted funding is used for capital projects, debt service, grants and other projects such as student activity funds where the funding is restricted to be utilized only for certain purposes. Nonspendable funding is for prepaid assets. It totaled less than \$.14 million for the current year and the change from the prior year was a decrease of \$.01 million. There was a \$1.71 million decrease in unassigned fund balance in the General Fund from decreased state school fund revenue and increases in operational spending attributable to contract increases. All of these amounts combined net to the \$2.91 million overall decrease.

General Fund

The General Fund is the primary operating fund of the District, and the majority of its revenue comes from state funding distributed through the State School Fund (SSF) by the Oregon Department of Education (ODE). The State of Oregon is the largest source of revenue for public education. The Oregon Legislature allocates money to the State School Fund primarily from the State General Fund and lottery revenue. School Districts get 95.50% of the State School Fund dollars available less local revenue. Educational Service Districts (ESD's) receive 4.50%. Local revenues include tax offsets, local property taxes for school operations (specifically excludes taxes for voter approved general obligation bonds), common school fund, county school fund, federal forest, and state timber revenues.

The Legislative Assembly, which meets on an annual basis, is responsible for determining both the amount and allocation formula for education funding. Available state and local resources are major factors in recommending SSF funding to the Governor.

The Oregon legislature passed the state's 15-17 biennial education budget (House Bill 5017) on April 6, 2015. The Governor signed the \$7.255 billion education bill on April 9, 2015. If the May 2015 economic forecast was better than expected, House Bill 5017 required the state to route 40 percent of additional revenue to the state school fund which it did. The additional amount was included in 2016-17 which brought the total 15-17 Biennium Budget for K-12 education up to \$7.376 billion. This level of funding represents a \$723 million dollar increase, or 10.9% over the 2013-15 biennium. In May of 2016 the state school fund allocation was adjusted downward by the Oregon Department of Education in the amount of \$2.86 million for corrections. The following amounts are derived from the Oregon Department of Education Website:

<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2016-17</u>	<u>2015-17 Biennium</u>
\$3,629,130,346	\$3,744,270,480	\$7,373,400,826

SSF funding is distributed to Oregon school districts pursuant to a formula, the objective of which is to provide equal funding for all school districts. The SSF grant provides to each school district a general-purpose grant, a transportation grant, a high-cost disability grant, a facilities grant, and a network of quality teaching and learning grant, less local revenues. Other grants deducted from the SSF grant are much smaller and generally relate to a specific District activity or condition. Details of these may be found under "District Estimates and Warrants" on the Oregon Department of Education website.

The general purpose grant is determined by a distribution formula, which incorporates a system of weights connected to the student count. The student count begins with average daily membership (ADM). This becomes resident ADM (ADM_r). The ADM_r count is then adjusted to reflect the differences in the cost of educating students requiring more extensive

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educational services, such as English as a second language, special education, pregnant and parenting, impoverished, and students attending a remote small school. The total of all students is multiplied by a statewide target grant of \$4,500. In addition to a state derived funding ratio, a factor of \$25 per year per student that a district's average teacher experience exceeds the state average is added to (or subtracted from, if below the State average) this calculation to arrive at the state general purpose grant.

The transportation grant is 70% of approved transportation costs. Approved costs are those attributable to transporting students from home to school (if over 1 mile from elementary school or 1.5 miles from secondary school), between schools, on field trips, and for other reasons in special cases.

The Facility Grant (\$12.50 million in the 2015-17 biennium) is distributed on a first-come, first-served basis to districts in the first year a new school facility is put into use. The facility grant is based on 3.5% of the total construction costs of a new school building excluding land but including the addition of new structures to existing school buildings and pre-manufactured buildings, if the new structures are used for instructing students. The grant is awarded on a biennium basis, and the total grant to districts cannot exceed the biennial amount awarded, and is prorated to all districts if the total requested amount exceeds the total grant. A District may also receive funding from the Oregon School Capital Improvement Matching Grants with the passage of Senate Bill 447 in 2015. A District can qualify for a matching grant of \$8 million dollars from the state upon the passage of General Obligation Bonds.

The High Cost Disabilities Grant is equal to the approved costs of a resident pupil with disabilities for whom the approved costs to the school district of providing special education and related services exceed \$30,000. For 2016-17, the High Cost Disabilities Grant was \$35.00 million.

Other state grants are deducted from the formula. These grants include amounts for talented and gifted students, speech pathology, virtual school funding, long term care and state schools, English language learner improvement funds, a small high school grant, network of quality teaching and learning funding, closure of charter school funds, a local option equalization grant, funding for the Office of Facilities Services, and an amount for pediatric and nursing facilities. For 2016-17, these amounted to \$33.05 million. There is also a reserve of \$20.00 million which is distributed in May of the subsequent year. These amounts are approved by the state legislature and are subject to change every year.

In addition to SSF and local revenues, Oregon school districts receive federal funding for a variety of purposes. Such funding is generally restricted to specific purposes. The District reported receipt of \$5.15 million of federal funds in Fiscal Year 2017. Of this amount, \$.01 million was reported in the District's General Fund, and \$5.14 million in the District's Special Revenue Funds which include Grant Programs. The General Fund portion of federal funding comes from timber harvests.

As of June 30, 2017, unassigned fund balance was \$2.95 million compared to \$4.66 million as of June 30, 2016. The unassigned fund balance was over 3.76% of the actual operating resources (which include the Beginning Fund Balance - Unassigned) and 3.83% over the budgeted resources which include the budgeted beginning fund balance. District policy requires that the ending balance be within 5% to 10% of total budgeted resources; however the District issues Quarterly Financial Reports that show the Board the projected ending fund balance before the issuance of the Comprehensive Annual Financial Report. In the preparation of the 2017-18 Budget, the Board allowed the ending fund balance to go as low as 3.5%. In fiscal 2017, the District collected less revenue than expected from state funding due to decreased ADM and increased property taxes collected. Expenditures increased due to employee contractual agreements. The District maintains tight expenditure control of budgeted positions and expenditures of supplies and services. For budget purposes, the District overestimates the expenses slightly in order to cover any unexpected exigencies. It does utilize a small reserve or contingency as well for the same purpose. As part of the development of the 2016-17 budget, the District budgeted a \$.16 million operating contingency. Both of these budgeting strategies are used to protect the District from unexpected increased expenses and negative adjustments to funding without necessitating a reduction in program spending. Revenue adjustments would include the State School Fund (SSF) adjustment that corrects the prior year's distribution to reflect actual year-end data, updated estimates of statewide SSF formula factors (such as property tax collections and enrollment), and updated estimates in state revenue collections.

Special Revenue Fund

The Special Revenue Fund includes grants and activities that are generally Assigned, Committed or Restricted in their use by their respective source. Grants represent restricted funding received from state and federal agencies for the purpose of expanding educational offerings and opportunities. Use of resources in this fund is restricted by federal and state statutes,

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state administrative rules, and the provisions of each individual grant. Per the terms of the grants, the District incurs expenditures for the grant programs and is reimbursed for the expenses primarily from the Oregon Department of Education as the fiduciary agency receiving the funds from the federal government and the state, or from other agencies that issued the grants. The other activities in the Special Revenue Fund include mainly student activities and programmatic student fees as well as the District's food service program. The Special Revenue Fund has a fund balance of \$2.34 million and had a net increase from the prior year of \$.27 million.

Debt Service Fund

The Debt Service Fund has a total fund balance of \$.78 million, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was less than \$.01 million. The District intentionally normalizes its levied taxes for debt service on general obligation bonds to sustain a reasonable fund balance.

Debt Service PERS Fund

The Debt Service PERS Fund has a total fund balance of \$.15 million. The fund was set up in fiscal year 2003-04 to account for the payment of principal and interest on long-term pension bonds that were sold in February 2004. The major sources of revenue for the fund are charges to other funds and earnings from temporary investments. The fund balance may be utilized by the District's School Board to mitigate payroll contributions in future periods to PERS if the District has available funding sources.

Capital Projects Fund

The Capital Projects Fund has a total fund balance of \$1.38 million. There was a net decrease in the fund balance from June 30, 2016, of \$1.47 million. During the fiscal year \$1.34 million was spent on capital outlay primarily for the completion of the District's new transportation and maintenance facility (\$1.05 million) and for a girls' softball hitting field at Oregon City High School (\$.11 million). The transportation and maintenance facility was financed from the refunding of general obligation bonds in fiscal 2015. This amount was capitalized to building and land improvements, and equipment within the limitations of the requirements of the District's general obligation bonds.

General Fund Budgetary Highlights

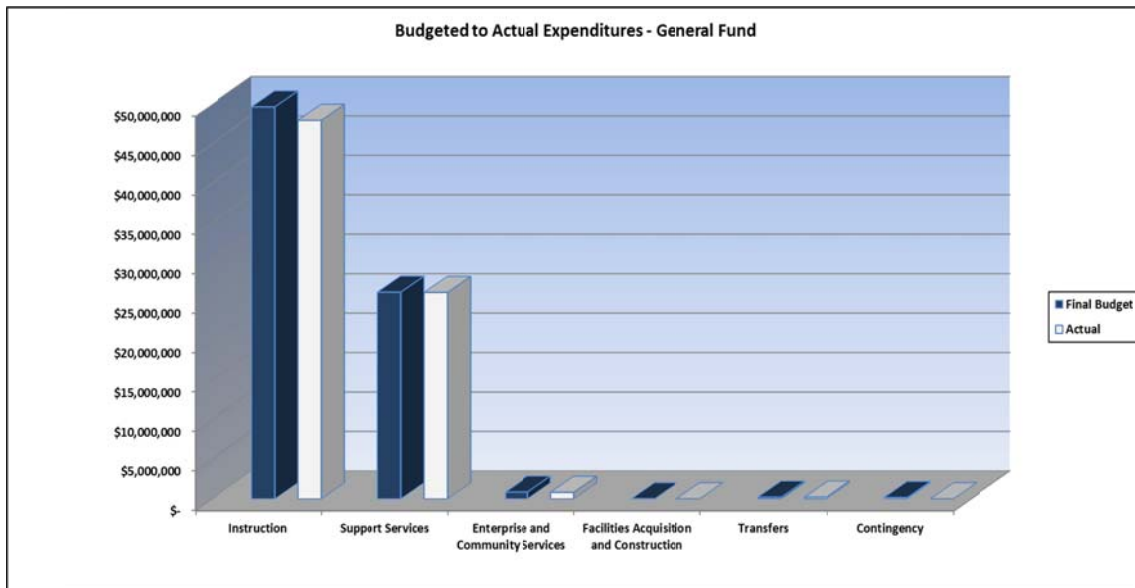
Actual revenues received were \$.11 million dollars higher than budgeted revenues primarily due to increased collection of property taxes. Actual state school funding came in lower than budget based on lower than estimated ADM and the Oregon Department of Education's adjustments (current and prior year) for revenue reflecting funding adjustments for the state reserve held back, fluctuations in local formula revenues, teacher experience, actual student enrollment, and higher collection rates for property taxes. Budgeted expenditures were under-budget by \$1.96 as expected. This ensures an ending fund balance percentage acceptable to the school board and helps the District to responsibly manage the ending fund balance. In May and June of 2017, the School Board approved resolutions moving \$350,000 to instruction, \$500,000 from support and \$150,000 to community services to cover changes in expected expenditures within those functions. All General Fund expenditures were within budgeted appropriations.

The following table and chart shows the detail of budgeted expenditures to actual expenditures (Non GAAP Budgetary Basis) for the General Fund.

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General Fund Expenditures & Transfers Out	Final Budget	Actual
Instruction	\$ 49,669,776	\$ 47,965,651
Support Services	26,195,569	26,156,922
Enterprise and Community Services	861,122	818,324
Facilities Acquisition and Construction	10,410	167
Transfers	210,000	210,000
Contingency	160,000	-
Total	\$ 77,106,877	\$ 75,151,064

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplemental information.



Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. As of June 30, 2017, the District had invested \$83.14 million in capital assets, net of accumulated depreciation, as shown in the following table:

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Capital Assets (Net of Accumulated Depreciation)		
	2017	2016
Land and Construction In Progress	\$ 5,438,814	\$ 5,439,611
Buildings and Improvements	74,395,695	75,395,304
Equipment and Vehicles	3,306,103	3,528,417
Total	<u>\$ 83,140,612</u>	<u>\$ 84,363,332</u>

During fiscal year 2016-17, the District's investment in net capital assets decreased by \$1.22 million. The major capital asset events for the year ended June 30, 2017 include the following:

- Additions consisting of remodels, site improvements and renovations at numerous District schools
- Additions in buildings and improvements (New Transportation Maintenance Facility and New Girls' Softball Hitting Facility), vehicles, and equipment
- Depreciation of capital assets
- Retirement and disposal of assets

Additional information on the District's capital assets can be found in Note 1 and Note 6 in the Notes to the Basic Financial Statements of this report.

Long-term Debt, Pension Liability and Early Retirement Pension Liability

At the end of the current fiscal year, the District had total bonded debt principal outstanding of \$70.14 million versus \$78.74 million in 2016. This debt outstanding as of June 30, 2017, consists of general obligation bond issues of \$32.62 million and pension bond issues of \$37.52 million.

In addition to General Obligation and PERS Bond debt, the District owes debt, \$.05 million, in the form of Certificates of Participation (COPS) Bonds, and Notes Payable in the amount of \$3.01 million. The COPS Bonds were issued in 2008 and were used to finance buses and a food delivery van. In addition Notes Payable have been issued each year to finance bus purchases and other capital asset additions approved by the school board.

Other components of District long term debt include a net unamortized premium and discount in the amount of \$1.77 million, Capital Leases Payable in the amount of \$.23 million, a Net Pension Early Retirement Obligation in the amount of \$2.26 million, and a post-employment benefit (health care subsidy) in the amount of \$4.13 million.

During the current fiscal year, the District paid down \$9.24 million of long-term obligations. The primary activity was bonded debt principal payments of \$8.59 million.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7.95% of its total assessed valuation. The current debt limitation for the District is \$427.18 million which is significantly in excess of the District's outstanding general obligation debt of \$32.62 million.

Additional information on the District's long-term debt can be found in Note 1 (Long-Term Debt) and Note 8 in the Notes to the Basic Financial Statements of this report.

PERS is Oregon's public pension system. Under a pension plan, the actuarial liability is the present value of the plan's current and expected benefit payments (plus administrative expenses). If a fund's actuarial liability exceeds its current assets, then the fund has a shortfall that is known as an unfunded actuarial liability (UAL). There is an actuarial valuation to be completed on PERS plans every year. GASB 68 was implemented for fiscal years beginning after June 15, 2014. See Note 1 (Retirement Plans) of the Notes to the Financial Statements. GASB 68 requires the District to recognize its unfunded

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accrued liability for its PERS pension plan in its Statement of Net Position. This valuation is based on a PERS actuarial valuation as of December 31, 2014 which became effective July 1, 2016.

The most current PERS valuation is for June 30, 2016. It reflects the adjustment of the April 2015 Oregon Supreme Court decision which overturned earlier PERS legislative decisions. The PERS UAL was estimated at over \$77.09 billion based on the 2016 valuation and the District's net UAL with its side account is \$67.18 million for 2016-17 versus \$24.88 for the prior year 2015-16. See the information below regarding the District's side account. PERS requires that school districts pay (or "amortize") this UAL over a period of 20 years for the PERS Tier 1/Tier 2 UAL, 10 years for the Retiree Healthcare UAL, and 16 years for the OPSRP UAL, with interest at 7.50% per year until 2018. See Note 13 in the Notes to the Financial Statements.

Given that interest rates had been at historic lows, opportunities to benefit from interest rate arbitrage was created. The District participated in 2004 in an Oregon School Board Association (OSBA) sponsored pooled pension obligation bond program, in which the proceeds from bond issues were used to offset a portion of the UAL. The benefits of the pension bond sales are seen in reductions in a District's PERS employer rate. This reduction in rates should dampen the effects of future increases in the District's UAL. As long as PERS's investment returns exceed the cost of servicing the bonds, the benefits of participating in this program continue. As of June 30, 2017, PERS investment earnings were at 7.25% for regular accounts and 11.60% for variable accounts. The overall rate increased over the prior year; however, it is still below the PERS expected earnings rate of 7.50%. With lower investment rates, employer contribution rates increase.

To mitigate the cost of PERS funding for state agencies, the Oregon Legislature passed Senate Bills 822 and 861 in 2013. These bills capped cost-of-living adjustments for retirees, eliminated a tax remedy for PERS retirees living out of state, and included a budget note that reduced and deferred the fiscal 2014-15 contribution by employers. The 2015-17 rates for the District were 11.33% for Tier 1/Tier 2 employees and 6.64% for OPSRP. With the State Supreme Court decision overturning the effects of 2013 Senate Bills, the employer rates effective for the 2017-19 biennium for the District climbed. As of September 2016, the 2017-19 rates were set at 17.00% for Tier 1/Tier 2 and 11.67% for OPSRP. Statutes, legislation, regulations, and rules regarding PERS can change at any time. These changes may increase or reduce the benefits of participation in the pooled obligations.

For fiscal years beginning after June 15, 2016, public sector employers are required by GASB 73 to apply accrual accounting to pensions that are not administered through trusts. The District's early retirement pension qualifies as this type of plan. Stipend benefits are offered to its retirees. The total early retirement pension liability for 2016-17 was \$2.26 million versus \$2.25 for the prior year. See Note 10 in the Notes to the Financial Statements.

Economic Factors in Current and Next Year's Budget

The most significant economic factor for the District is the national state of the economy and reduced funding available for the General Fund to support current operational levels. The 2015-17 biennium was funded at \$7.37 billion, and 2017-19 is funded at \$8.20 billion. State funding is the largest source of funding for school districts.

COMPARISON OF RESOURCES GOVERNMENTAL FUNDS EXCLUDING CAPITAL PROJECTS FUND, DEBT FUNDS, FUND BALANCE CARRYOVERS AND TRANSFERS															
Resources	2013-14 ACTUALS			2014-15 ACTUALS			2015-16 ACTUALS			2016-17 ACTUALS			2017-18 BUDGET		
Property Taxes	\$	20,898,810	27%	\$	22,285,929	27%	\$	23,409,138	27%	\$	24,516,105	29%	\$	25,632,773	27%
Local Sources		5,325,905	7%		5,414,696	7%		6,114,111	7%		5,785,344	7%		8,071,560	8%
Intermediate Sources		828,710	1%		1,181,721	1%		1,594,090	2%		1,544,944	2%		1,672,267	2%
State Sources		43,826,481	57%		47,726,783	58%		49,017,229	57%		47,264,401	56%		53,947,215	56%
Federal Sources		5,469,037	7%		5,218,128	6%		5,190,449	6%		5,151,065	6%		6,479,732	7%
	\$	76,348,943	100%	\$	81,827,257	100%	\$	85,325,017	100%	\$	84,261,859	100%	\$	95,803,547	100%
ADM*		7,824			7,791			8,094			8,001			7,903	
Resources per ADM	\$	9,758		\$	10,503		\$	10,542		\$	10,531		\$	12,122	

* Prior to 2015-16 Kindergarten ADM was counted as 1/2 per student

* Prior to 2015-16 Kindergarten ADM was counted as 1/2 per student

Total revenue for both 2015-16 Actuals and the 2016-17 Actuals shows a substantial increase over the prior two years. For the 15-17 biennium, the Oregon legislature increased the funding allocation for K-12 education from \$6,650,401,000 for 2013-15 to \$7,373,400,826 dollars for 2015-17. With the approved legislation of Senate Bill 822 which incorporated a PERS reduction of expenses, the combined increased funding was approximately \$.72 billion more than the prior biennium of

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2013-15. The State School Fund for the 2015-17 biennium is 10.87% higher than the 13-15 biennium. The State School Fund for 2017-19 is \$8,200,000,000, and it is 11.21% higher than the 2015-17 biennium.

The state funded school districts at 50%/50% instead of 49%/51% for the 15-17 biennium. This represented approximately \$5.3 million of additional revenue issued for 2015-16 (1% difference from 49% to 50% funding) that the District would have normally received in the second year of the biennium. In 2015-16, the district implemented full day kindergarten. In 2016-17 additional revenue was added to the state school fund per House Bill 5017 because the state forecast was better than expected. For the 2017-19 biennium the state is also funding school districts at 50%/50%.

For 2015-16, the District implemented full day kindergarten. The priority for the District was to maintain a full school year calendar and to preserve direct services to students with the implementation of full day kindergarten. The District made a small investment to increase staff to support full day kindergarten and added some instructional materials. The District continued to face difficult decisions without a significant boost in revenues to support instruction, services and maintenance and replacement of facility systems that have declined over the past decade with the lack of funding in comparison to some other school districts in the Portland-Metropolitan area.

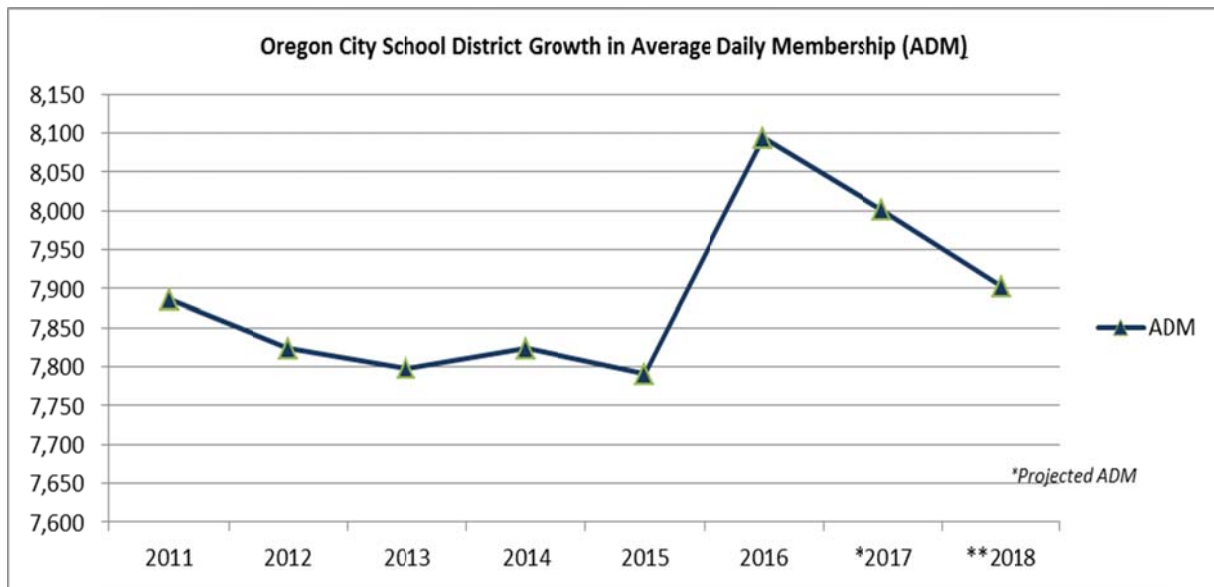
For 2017-18, while the District is receiving a greater proportion of state funding which includes funding for Career and Technical Education as provided by Measure 98, the District faces major challenges as costs of operations continue to exceed the additional revenue available. The biggest cost factors are PERS expense and employee contractual agreements both of which escalate year after year. As explained above, the State Supreme Court overturned Senate Bill 822, and higher PERS rates because of this action are reflected in the PERS rates for the 2017-19 biennium. The District is monitoring spending closely. Major challenges facing the District are declining enrollment in the short run, escalating Public Employee Retirement System (PERS) costs, increasing cost of living percentages and lack of funding to support them, shortage of staff and purchasing power to support increasing technology demands, infrastructure decay and maintenance requirements, increasing costs for special education, increasing compliance with new laws and reporting requirements, maintenance of safe classrooms, and struggles to continue to improve student learning with limited and decreasing resources.

The Oregon Economic Forecast for the third quarter of 2017 released in September 2017 by the Department of Revenue indicated continuing growth in the economy, but not as strong as what was seen in the past few years. The report forecasted a 4.9% increase in revenue for the 2017-19 biennium, 11.6% for 2019-21, 11.6% for 2021-23 and 10.3% through 2023-25. The percentage for 2015-17 includes a decrease for the kicker refund. The current forecast is still showing strong signs of revenue growth; however the Department of Revenue predicts downward pressure on revenue collection ten years out as the baby boomers retire and tax collections decline as a result of this. Despite the forecast of current revenue growth, the District is not optimistic that education will see increased funding given the pressure on the state to fund existing and newly mandated programs for state agencies based on the same source of funding. Concerns remain regarding funding for the District given increasing PERS rates, contractual employee agreements and the state of the declining infrastructure of the District with little general funding available for improvements and replacements.

At present, the District's enrollment is declining. There is a spike in 2016 when full day kindergarten was implemented because prior to that kindergarten students were only given a .5 weighting. Average Daily Membership (ADM) is the state calculation of enrolled students based on days of attendance and is utilized in the state funding formula (ADMw) for school districts modified by factors such as poverty levels, special education students and other items. In a study done by Portland State University, district enrollment is not expected to start to increase until 2020-21. A history of the District's ADM is shown below. 2017 and 2018 is estimated.

The graph and table below illustrates historical and projected growth in ADM. It includes the ADM for the District's charter schools because district funding includes the ADM for them.

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Oregon City School District Average Daily Membership by Year	
Last 7 Years and Projected 1 Year	
Year Ended	ADM
2011	7,886
2012	7,824
2013	7,798
2014	7,824
2015	7,791
2016	8,094
*2017	8,001
**2018	7,903
* ODE Estimate, **District Projected	

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

Requests for Information

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate our accountability. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed the Chief Financial Officer, Oregon City School District No. 62, PO Box 2110, Oregon City OR, 97045.

BASIC FINANCIAL STATEMENTS

OREGON CITY SCHOOL DISTRICT NO. 62
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STATEMENT OF NET POSITION
June 30, 2017

	Primary Government	Oregon City	Clackamas
	<u>Governmental</u>	Service Learning	Academy of
	Activities	Academy	Industrial
		Component	Sciences
Assets			
Cash and investments	\$ 16,439,234	\$ -	\$ 7,620
Receivables			
Accounts	99,000	-	3,000
Intergovernmental	2,103,585	-	-
Undistributed tax collections	122,128	-	-
Property taxes	1,847,892	-	-
Note receivable	1,500,000	-	-
Due from other government	-	6,286	308,275
Prepaid expense	149,396	-	-
Capital assets not being depreciated	5,438,813	-	-
Capital assets, net of accumulated depreciation	77,701,799	-	-
Total assets	105,401,847	6,286	318,895
Deferred Outflows of Resources			
Deferred charge on refunding	983,211	-	-
OPEB related deferrals	344,793		
Pension related deferrals	34,915,261	-	-
Total deferred outflows of resources	36,243,265	-	-
Liabilities			
Accounts payable	962,005	6,286	101,170
Payroll liabilities	9,263,221	-	-
Accrued interest payable	88,581	-	-
Unearned revenue	75,497	-	-
Payable to external parties	539,836	-	361
Accrued compensated absences	117,373	-	-
Long-term liabilities:			
Due within one year	8,459,579	-	-
Proportionate share of net pension liability	67,183,006	-	-
Due in more than one year	73,130,794	-	-
Total liabilities	159,819,892	6,286	101,531
Deferred Inflows of Resources			
Pension related deferrals	771,862	-	-
Net Position			
Net investment in capital assets	45,454,976	-	-
Restricted for debt service	1,341,695	-	-
Restricted grants	2,337,769	-	-
Restricted for facilities	1,379,188	-	-
Unrestricted	(69,460,270)	-	217,364
Total net position	\$ (18,946,642)	\$ -	\$ 217,364

See accompanying notes to basic financial statements.

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

Functions/Programs	Program Revenues				Net Expenses, Revenues, and Changes in Net Position		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Oregon City Service Learning Academy Component	Clackamas Academy of Industrial Sciences
PRIMARY GOVERNMENT							
Governmental Activities:							
Instruction	\$ 57,459,573	\$ 388,208	\$ 3,692,901	\$ -	\$ (53,378,464)		
Support services	32,247,085	1,713,318	-	-	(30,533,767)		
Community services	4,477,340	658,489	1,449,510	-	(2,369,341)		
Interest on long term debt	3,632,281	-	-	-	(3,632,281)		
Total Primary Governmental Activities	<u>\$ 97,816,279</u>	<u>\$ 2,760,015</u>	<u>\$ 5,142,411</u>	<u>\$ -</u>	<u>(89,913,853)</u>		
COMPONENT UNITS							
Oregon City Service Learning Academy	\$ 1,373,083	\$ 1,460	\$ -	\$ -		\$ (1,371,623)	
Clackamas Academy of Industrial Sciences	<u>1,581,762</u>	<u>-</u>	<u>-</u>	<u>-</u>			<u>\$ (1,581,762)</u>
General Revenues:							
Property taxes, levied for general purposes					24,479,596	-	-
Property taxes, levied for debt services					6,986,667	-	-
Construction excise tax					621,544	-	-
State school support					47,774,072	1,371,472	1,545,093
Earnings on investments					330,730	-	-
Unrestricted federal					181,064	-	-
Other local & intermediate					5,388,649	149	22,934
Total general revenues					<u>85,762,322</u>	<u>1,371,621</u>	<u>1,568,027</u>
Change in net position					(4,151,531)	(2)	(13,735)
Net position beginning of year, restated					<u>(14,795,111)</u>	<u>2</u>	<u>231,099</u>
Net position end of year					<u>\$ (18,946,642)</u>	<u>\$ -</u>	<u>\$ 217,364</u>

See accompanying notes to basic financial statements.

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**BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2017**

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND 300	PENSION OBLIGATION FUND	CAPITAL PROJECTS FUND	TOTAL
ASSETS						
Cash and investments	\$12,038,256	\$2,876,526	\$1,524,452	\$ -	\$ -	\$16,439,234
Receivables:						
Accounts	25,391	47,984	-	-	25,625	99,000
Intergovernmental	935,914	1,137,671	-	-	30,000	2,103,585
Undistributed tax collections	94,593	-	27,535	-	-	122,128
Property taxes	1,424,235	-	423,657	-	-	1,847,892
Prepaid items	143,419	-	-	-	-	143,419
Due from other funds	402,457	1,476,734		150,000	1,419,848	3,449,039
Total Assets	\$15,064,265	\$5,538,915	\$1,975,644	\$ 150,000	\$ 1,475,473	\$24,204,297
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ 794,973	\$ 135,518	\$ -	\$ -	\$ 26,918	\$ 957,409
Due to other funds	-	3,060,853	783,949	-	-	3,844,802
Payroll liabilities	9,263,221	-	-	-	-	9,263,221
Due to fiduciary fund	225,636	-	-	-	-	225,636
Due to other agencies	314,200	-	-	-	-	314,200
Unearned revenue	1,355	4,775	-	-	69,367	75,497
Total Liabilities	10,599,385	3,201,146	783,949	-	96,285	14,680,765
Deferred Inflows of Resources:						
Unavailable Revenue - property taxes	1,369,487	-	407,600	-	-	1,777,087
Total Deferred Inflows of Resources	1,369,487	-	407,600	-	-	1,777,087
Fund Balances:						
Nonspendable	143,419	-	-	-	-	143,419
Restricted for debt service	-	-	784,095	150,000	-	934,095
Restricted for grant and projects	-	2,337,769	-	-	-	2,337,769
Restricted for capital projects	-	-	-	-	1,379,188	1,379,188
Unassigned	2,951,974	-	-	-	-	2,951,974
Total Fund Balance	3,095,393	2,337,769	784,095	150,000	1,379,188	7,746,445
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$15,064,265	\$5,538,915	\$1,975,644	\$ 150,000	\$ 1,475,473	\$24,204,297

See accompanying notes to basic financial statements.

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON**

**Reconciliation of Balance Sheet of Governmental Funds to
Statement of Net Position**

June 30, 2017

Total Fund Balances	\$	7,746,445
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Capital assets, net		83,140,612
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Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.

		1,777,087
--	--	-----------

Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.

These liabilities consist of:

General and pension obligation bonds - net of premium, discount	\$ (34,392,703)	
Certificate of participation payable	(50,002)	
Note payable	(3,012,688)	
OPEB obligation	(4,126,642)	
Retirement stipend obligation	(2,258,095)	
Retirement stipend obligation related deferrals	344,793	
Capital lease payable	(230,243)	
Pension bond payable	(37,520,000)	
Deferred charge on refunding	983,211	
Accrued compensated absence	(117,373)	
Accrued interest	<u>(88,581)</u>	(80,468,323)

The District is carrying a contract on property sold in the prior year. No principal was received this year, thus, no revenue was recognized on the governmental funds. However, in the government-wide financial statements, this transaction represents an asset to the District.

		1,500,000
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The net pension asset (liability), and related deferred inflows and outflows related to the net pension asset (liability) is the difference between the total pension liability and assets set aside to pay benefits earned to past and current employees and beneficiaries.

Proportionate share of pension liability		(67,183,006)
Pension related deferrals		34,915,261
Pension related deferrals		(771,862)

An internal service fund is used by the District's management as a risk management pool. The assets and liabilities of the internal service fund are included with governmental activities.

		<u>397,144</u>
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Total Net Position	\$	<u>(18,946,642)</u>
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See accompanying notes to basic financial statements.

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017**

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND 300	PENSION OBLIGATION FUND	CAPITAL PROJECTS FUND	TOTAL
REVENUES:						
Local sources	\$ 26,143,193	\$ 4,158,256	\$ 7,048,728	\$ 3,815,805	\$ 1,009,372	\$ 42,175,354
Intermediate sources	812,538	732,406	-	-	644,623	2,189,567
State sources	46,744,991	519,410	-	-	-	47,264,401
Federal sources	15,466	5,135,599	-	-	-	5,151,065
Total Revenues	73,716,188	10,545,671	7,048,728	3,815,805	1,653,995	96,780,387
EXPENDITURES:						
Current						
Instruction	47,965,651	4,898,477	-	-	11,422	52,875,550
Support services	26,432,260	1,950,011	-	-	430,450	28,812,721
Enterprise & community service	818,324	3,301,822	-	-	-	4,120,146
Facilities acquisition & construction	167	-	-	-	236,392	236,559
Capital outlay	12,747	303,932	-	-	1,338,091	1,654,770
Debt service						
Principal	-	469,194	6,650,000	1,685,000	430,538	9,234,732
Interest	-	61,797	392,989	2,130,805	711,636	3,297,227
Issuance Costs	-	10,500	-	-	-	10,500
Total Expenditures	75,229,149	10,995,733	7,042,989	3,815,805	3,158,529	100,242,205
Excess of Revenues Over, (Under) Expenditures	(1,512,961)	(450,062)	5,739	-	(1,504,534)	(3,461,818)
Other Financing Sources, (Uses):						
Issuance of debt	-	447,386	-	-	-	447,386
Issuance of debt	-	-	-	-	149,505	149,505
Sale of capital assets	1,516	-	-	-	-	1,516
Transfers in	-	274,000	-	-	-	274,000
Transfers out	(210,000)	-	-	-	(114,000)	(324,000)
Total Other Financing Sources, (Uses)	(208,484)	721,386	-	-	35,505	548,407
Net Change in Fund Balance	(1,721,445)	271,324	5,739	-	(1,469,029)	(2,913,411)
Beginning Fund Balance	4,816,838	2,066,445	778,356	150,000	2,848,217	10,659,856
Ending Fund Balance	\$ 3,095,393	\$ 2,337,769	\$ 784,095	\$ 150,000	\$ 1,379,188	\$ 7,746,445

See accompanying notes to basic financial statements.

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON**

**Reconciliation of Statement of Revenues, Expenditures
and Changes in Fund Balance – Governmental Funds –
To Statement of Activities**

For the Year Ended June 30, 2017

Net Change in Fund Balance	\$ (2,913,411)
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Amounts reported for governmental activities in the statement
of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which fixed assets exceed depreciation:

Capital asset additions	\$ 1,654,770	
Depreciation expense	<u>(2,877,490)</u>	(1,222,720)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease from the prior year.

Property taxes and other unavailable or deferred revenues	70,193
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Repayment of bond principal 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 bond principal and post retirement obligations is an other financing source in the governmental funds but reduces the liability in the Statement of Net Position. Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are considered unavailable and amortized in the Statement of Activities.

General and pension obligation bonds	\$ 8,590,000	
Certificate of participation	90,000	
Capital lease payable	114,477	
Bond premium, discount	(9,456)	
Debt issuance	(599,226)	
Deferred charge on refunding amortization	(327,738)	
Accrued compensated absences	(20,045)	
Note payable	<u>451,298</u>	8,289,310

Under the accrual basis of accounting, interest on long-term debt is accrued when payments are not due until after year end.

3,932

Other post employment benefits are recognized as an expenditure when paid in the governmental funds. In the statement of activities, OPEB is recognized as an expense in accordance with actuarial calculations when accrued.

OPEB change including deferrals	165,142
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The net pension asset (liability), and related deferred inflows and outflows related to the net pension asset (liability) is the difference between the total pension liability and assets set aside to pay benefits earned to past and current employees and beneficiaries.

Change in net pension asset (liability) and related deferred inflows and outflows	(8,522,535)
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An internal service fund is used by the District's management as a risk management pool. The assets and liabilities of the internal service fund are included with governmental activities.

(21,442)

Change in Net Position	<u><u>\$ (4,151,531)</u></u>
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See accompanying notes to basic financial statements.

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
NON GAAP BUDGETARY BASIS
For the Year Ended June 30, 2017**

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Taxes	\$ 22,999,295	\$ 22,999,295	\$ 24,516,105	\$ 1,516,810
Other local sources	1,724,670	\$ 1,724,670	1,627,088	(97,582)
Intermediate sources	805,000	805,000	812,538	7,538
State sources	48,067,912	48,067,912	46,744,991	(1,322,921)
Federal sources	10,000	10,000	15,466	5,466
Total revenues	<u>73,606,877</u>	<u>73,606,877</u>	<u>73,716,188</u>	<u>109,311</u>
EXPENDITURES:				
Instruction	49,319,776	49,669,776	47,965,651	1,704,125
Support services	26,695,569	26,195,569	26,156,922	38,647
Enterprise and community services	711,122	861,122	818,324	42,798
Facilities acquisition and construction	10,410	10,410	167	10,243
Contingency	160,000	160,000	-	160,000
Total expenditures	<u>76,896,877</u>	<u>76,896,877</u>	<u>74,941,064</u>	<u>1,955,813</u>
Excess of revenues over (under) expenditures	(3,290,000)	(3,290,000)	(1,224,876)	2,065,124
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	1,516	1,516
Transfers out	(210,000)	(210,000)	(210,000)	-
Total other financing sources (uses)	<u>(210,000)</u>	<u>(210,000)</u>	<u>(208,484)</u>	<u>1,516</u>
To adjust for encumbrances (note11)	<u>-</u>	<u>-</u>	<u>(288,085)</u>	<u>(288,085)</u>
Net change in fund balance	(3,500,000)	(3,500,000)	(1,433,360)	2,066,640
Beginning fund balance	<u>3,500,000</u>	<u>3,500,000</u>	<u>4,816,838</u>	<u>1,316,838</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,095,393</u>	<u>\$ 3,095,393</u>

See accompanying notes to basic financial statements.

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

SPECIAL REVENUE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Local sources	\$ 5,562,637	\$ 5,562,637	\$ 4,158,256	\$ (1,404,381)
Intermediate sources	845,000	845,000	732,406	(112,594)
State sources	1,100,583	1,295,670	519,410	(776,260)
Federal sources	6,567,367	6,567,367	5,135,599	(1,431,768)
Total revenues	14,075,587	14,270,674	10,545,671	(3,725,003)
EXPENDITURES:				
Instruction	6,782,210	6,962,210	4,898,477	2,063,733
Support services	4,032,742	4,047,829	2,253,943	1,793,886
Enterprise & community services	4,059,816	4,059,816	3,301,822	757,994
Facilities acquisition and construction	10,300	10,300	-	10,300
Debt service	605,220	605,220	541,491	63,729
Contingencies	550,000	550,000	-	550,000
Total expenditures	16,040,288	16,235,375	10,995,733	5,239,642
Excess of revenues over (under) expenditures	(1,964,701)	(1,964,701)	(450,062)	1,514,639
OTHER FINANCING SOURCES (USES)				
Loan proceeds	600,000	600,000	447,386	(152,614)
Sale of capital assets	6,000	6,000	-	(6,000)
Transfers in	274,000	274,000	274,000	-
Total other financing sources (uses)	880,000	880,000	721,386	(158,614)
Net change in fund balance	(1,084,701)	(1,084,701)	271,324	1,356,025
Beginning fund balance	2,491,408	2,491,408	2,066,445	(424,963)
Ending fund balance	\$ 1,406,707	\$ 1,406,707	\$ 2,337,769	\$ 931,062

See accompanying notes to basic financial statements.

OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
June 30, 2017

	<u>Risk Management Internal Service Fund</u>
ASSETS:	
Current assets	
Prepaid expenses	\$ 5,977
Due from other funds	395,763
Total current assets	<u>401,740</u>
LIABILITIES AND NET POSITION:	
Current liabilities	
Accounts payable	<u>4,596</u>
Total liabilities	<u>4,596</u>
Net position	
Unrestricted	<u>397,144</u>
Total net position	<u>\$ 397,144</u>

See accompanying notes to basic financial statements.

OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

INTERNAL SERVICE FUND

OPERATING REVENUES:

Recovery of prior year expenses	\$ 52,245
Services to other funds	566,609
Miscellaneous	<u>9,603</u>
Total revenues	<u>628,457</u>

OPERATING EXPENSES

Salaries	67,025
Associated payroll costs	39,149
Purchased services	169,424
Supplies and materials	36,451
Insurance and judgments	<u>387,850</u>
Total expenses	<u>699,899</u>

OPERATING INCOME	<u>(71,442)</u>
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OTHER REVENUES/(EXPENSES):

Transfers in	<u>50,000</u>
Total other revenue/expenses	50,000

Change in net position	(21,442)
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Beginning net position	<u>418,586</u>
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Ending net position	<u><u>\$ 397,144</u></u>
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See accompanying notes to basic financial statements.

OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2017

	Risk Management Fund
Cash flows from operating activities:	
Internal activity - payments from other funds	\$ 566,950
Other receipts	61,848
Payments to employees	(67,025)
Payments for employee benefits and taxes	(39,149)
Payments for services	(148,323)
Payments for supplies and materials	(36,451)
Payments for insurance	(387,850)
	<u>(50,000)</u>
Net cash provided (used) by operating activities	<u>(50,000)</u>
Cash flows from noncapital financing activities	
Transfers from other funds	<u>50,000</u>
Net cash used by noncapital financing activities	<u>50,000</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents, beginning	<u>-</u>
Cash and cash equivalents, ending	<u><u>\$ -</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (71,442)
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in operating assets and liabilities	
(Increase) decrease in accounts receivable	341
(Increase) decrease in prepaid expenses	(507)
(Increase) decrease in due from other funds	25,678
Increase (decrease) in accounts payable	(4,070)
Total adjustments	<u>21,442</u>
Net cash provided by operating activities	<u><u>\$ (50,000)</u></u>

See accompanying notes to basic financial statements.

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2017**

	Agency Funds
ASSETS:	
Receivables:	
Interfund	<u>\$ 225,636</u>
LIABILITIES:	
Due to agency groups	<u>\$ 225,636</u>

See accompanying notes to basic financial statements.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies

Oregon City School District No. 62, a municipal corporation under the laws of the State of Oregon, is governed by a separately elected seven-member board and is authorized to transact all business on the District's behalf. The District is the special-purpose primary government exercising financial accountability for all public education within its boundaries.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the governing body and establishes governmental accounting and financial reporting principles.

All significant activities and organizations have been included in the basic financial statements. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 61, are separate organizations that are included in the District's financial statements because of the significance of their operational or financial relationships with the District and the existence of a financial benefit/burden. The District has determined that the following organizations are component units due to the nature and significance of their relationship with the primary government is such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These component units are presented in total in a separate column in the government-wide financial statements to emphasize that they are legally separate organizations from the District.

Discretely Presented Component Units

Oregon City Service Learning Academy is a charter high school, which began operations in September 2006. The Academy's curriculum integrates real world activities like service-learning and project-based learning to help students meet academic goals. Complete financial statements can be obtained at their administrative offices: 995 South End Road Oregon City, OR 97045

Clackamas Academy of Industrial Sciences is a charter high school, which began operations in September 2010. The Academy's curriculum is designed to provide students with an innovative, contextual learning environment focused on manufacturing technologies. Complete financial statements can be obtained at their administrative offices: 1306 12th Street Oregon City, OR 97045.

Government-wide and Fund Financial Statements

The financial statements are presented at both the government-wide and fund levels. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to users outside the District for support. Under the criteria established by GAAP, the District has no activities that would be classified as business-type in the government-wide statements.

Government-wide financial statements display information about the reporting government as a whole. Except for interfund services provided and used, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period, and consist of the Statement of Net Position and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to applicants who use or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. *General revenues* consist of taxes and other items not properly included among program revenues.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Fund financial statements are presented separately for governmental, proprietary, and fiduciary funds, even though the proprietary fund (an internal service fund) is consolidated into the governmental activities and fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

“Measurement focus” is a term used to describe *which* transactions are recorded within the various financial statements. “Basis of accounting” refers to *when* transactions are recorded regardless of the measurement focus applied.

The Government-wide Financial Statements and the Proprietary Fund Financial Statements are prepared on the *accrual* basis of accounting with an *economic resource* measurement focus. An economic resource focus concentrates on an entity or fund’s net position. All transactions and events that affect the total economic resources (net position) during the period are reported. This measurement focus is directly linked to full accrual accounting, under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash inflows and outflows. It is the District’s policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Governmental Funds Financial Statements are presented on a *modified accrual* basis of accounting with a *current financial resources* measurement focus. A current financial resources focus concentrates on the fund’s resources available for spending in the near future. Only transactions and events affecting the fund’s current financial resources during the period are reported. This measurement focus is directly linked to the modified accrual basis of accounting, under which revenues are recognized when they are “measurable and available,” and expenditures are recorded when the fund liability is incurred, except for bond principal and interest which are reported when due. “Measurable” means knowing or being able to reasonably estimate the amount, while “available” means collectible within the current period or within sixty days after year-end. Property taxes, interest, and grant reimbursements are considered to be susceptible to accrual if received in cash by the District or a county collecting such taxes within sixty days after year-end. All other revenue items are recognized when they become measurable and available.

The Fiduciary Statements are presented on the accrual basis of accounting, as described above, and represent agency funds.

A deferred inflow of resources, unavailable revenue, arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. The unavailable revenue consists of uncollected property taxes and assessments not available to finance operations in the current period. In the government-wide Statement of Net Position, which is presented on the full accrual basis of accounting, revenue must be recognized when earned regardless of its availability, thereby eliminating the liability present in the Governmental Funds Balance Sheet.

In a similar manner, governmental funds only record expenditures that affect current financial resources. Principal and interest on long-term debt obligations are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments due early in the following year. In the government-wide Statement of Net Position, however, because of the full accrual basis of accounting, the accrued liability for long-term debt must be included.

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Notes to the Financial Statements

June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the government-wide presentation. This reconciliation is part of the District's financial statements.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The General Fund's resources are available to the District for any purpose provided they are expended or transferred according to a resolution of the District and/or the general laws of Oregon.

The *Special Revenue Fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. Principal sources of revenue are federal grants paid to the District through state and other agencies, other grants paid to the District from state, local, and private agencies, sales of meals, and student activities.

The *Debt Service Fund 300* accounts for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the District. Principal sources of revenue are property taxes and investment income.

The *Pension Obligation Bonds Fund* accounts for the accumulation of financial resources for the payment of principal and interest on bonds issued to retire a portion of its underfunded pension obligation as calculated by the Oregon Public Employees Retirement System. While the Pension Obligation Bonds Fund does not meet the percentage requirements to be a major fund, the District has elected to show it as such for the benefit of the users of the financial statements.

The *Capital Projects Fund* is used to account for resources restricted for the acquisition or construction of specific capital projects or items. Principal sources of revenue include loan proceeds, construction excise tax, proceeds from the sale of capital assets, and donations.

Additionally, the District reports the following fund types:

Proprietary Fund:

The District maintains a Risk Management Internal Service Fund to account for costs of unemployment, workers' compensation and property and casualty insurance claims. For the fund financial statements, this fund is reported as a proprietary fund. For government-wide financial statements, however, the activities and balances of this fund are included in the governmental activities because the predominant participant is the District. The District's proprietary fund utilizes the accrual basis of accounting, as described above. Operating revenues and expenses consist of transactions that fall within the fund's defined purpose of risk management. Nonoperating revenues and expenses represent transactions outside the scope of the defined purpose. The fund had no nonoperating revenues or expenses in the current year.

Fiduciary Funds:

Fiduciary funds consisting of agency funds are used to account for scholarship and memorial funds held by the District in a fiduciary capacity. These assets cannot be used to support the District's own programs and therefore are not included in the government-wide financial statements.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

Cash and Investments

Moneys in the Oregon State Local Government Investment Pool, certificates of deposit, demand deposits, and petty cash are considered to be cash and cash equivalents.

Investments with a remaining maturity of more than ninety days at the time of purchase are stated at fair value.

Fair Value Inputs and Methodologies and Hierarchy

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

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

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

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

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

Receivables

(A) Interfund consists of balances due from other funds within the District, as a result of cash pool transactions. For the government-wide financial statements, these balances have been eliminated.

(B) Accounts consist of amounts due to the District from outside non-governmental entities.

(C) Intergovernmental consists of funds due from other governmental agencies.

(D) Undistributed tax collections consists of taxes collected by the county tax collector before July 1, 2016, but not made available to the District until after June 30, 2017.

(E) Property taxes represent taxes that have been levied by the District but have not been collected.

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Notes to the Financial Statements

June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Interfund Transactions

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These transactions occur in two categories: *reciprocal interfund activity* and *nonreciprocal interfund activity*.

"Reciprocal interfund activity" consists of interfund loans or pooled investment accounts and interfund services provided and used. Interfund loans are reported as interfund receivables and payables in the appropriate funds. Interfund transactions related to goods and services type transactions are classified as "due to and due from other funds," and as revenue or expenditures in the appropriate funds in the fund financial statements.

"Nonreciprocal interfund activity" represents flows of cash and other assets into or out of funds without equivalent flows of assets in return and without a requirement for repayment. These interfund transfers have been reported as other financing sources or uses in the appropriate funds in the fund financial statements.

Interfund transactions have been eliminated in the government-wide financial statements.

Property Taxes Receivable

Ad valorem property taxes are a lien on all taxable personal property as of January 1 and on July 1 for real property. Property taxes are levied on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are shown in the balance sheet. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes collected within approximately sixty days of fiscal year end are recognized as revenue. The remaining balance of taxes receivable is recorded as deferred revenue in the fund financial statements because it is not deemed available to finance operations of the current period. In the government-wide financial statements, the deferred revenue is recognized as revenue in the current period because it has been earned even though it has not yet been collected.

Prepaid Items

Prepaid items are recognized as expenditures in governmental funds proportionately over the periods that service is provided (*consumption method*).

Capital Assets

Capital assets include property, buildings, and equipment, and are reported in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased.

Capital assets are defined by the District as assets with an initial individual cost of \$5,000 or more; all capital assets acquired through debt transactions are capitalized. Capital assets are stated at cost, or estimated historical cost when the original cost was not available. Donated assets have been stated at acquisition value. Additions or improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other maintenance and repair costs are charged to expenses as incurred and not capitalized.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets (continued)

Depreciation is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Land is not depreciated. Depreciation is provided on the straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Site improvements	20
Buildings and improvements	50
Vehicles	15
Equipment	10

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category: a deferred charge on refunding, which represents the excess of reacquisition price of refunded debt over its net carrying amount, the pension related deferrals and the OPEB related deferrals. The excess of reacquisition price of refunded debt over its net carrying amount results in the difference from the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The pension related and OPEB related deferred outflow represents the difference between expected and actual experience and changes in the proportionate share net of contributions made subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two of these items. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, pension related deferral, is reported only in the government-wide Statement of Net Position, and represents the net difference between the projected and actual earnings on investments as well as the difference between employer contributions and employer's proportionate share of system contributions.

Accrued Compensated Absences

It is the policy to permit certain employees to accrue unused vacation. Government funds recognize the expenditure when benefits are paid. Government wide financials recognize the expenditure when the benefit is earned.

Long-Term Debt

In the government-wide Statement of Net Position, long-term debt obligations are reported as liabilities. The long-term debt consists primarily of general obligation bonds, pension obligation bonds, certificates of participation, and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources, and payments of interest and principal are reported as expenditures in the appropriate funds as incurred.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Retirement Plans

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

Administrators who have worked at least twelve years in the District immediately preceding retirement and are eligible for retirement under the Public Employees Retirement System are eligible for early retirement, as are certified teachers who have completed at least fifteen years with the District. Benefits are funded and charged to expenditures as payments become due to early retirees.

Compensated Absences

Vacation leave does not accumulate beyond June 30, and no liability is recorded for accrued vacation, salary-related payments and non-vested accumulated rights to receive sick pay benefits.

Net Position

In the government-wide financial statements, equity is classified as net position, and displayed in three components:

- a. *Net investment in capital assets* – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – consists of net positions with constraints placed on them by external entities or by law.
- c. *Unrestricted net position* – all other net positions that do not meet either of the above criteria.

In the proprietary fund statements, equity is classified as unrestricted net position.

Fund Balances

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

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Notes to the Financial Statements

June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balances(continued)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Following are descriptions of fund classifications used by the District.

- a. *Nonspendable fund balance* includes items not immediately converted to cash, such as prepaid items or inventory. The District had \$143,419 in nonspendable fund balances as of June 30, 2017, which represents prepaid items.
- b. *Restricted fund balance* includes amounts that have constraints placed on the use of the resources, either by an external party or imposed by law through a constitutional or enabling legislation.
- c. *Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal resolution of the Board of Directors. The Board of Directors can modify or rescind the commitment at any time through taking a similar formal resolution. Board policy is to commit the ending balance of funds other than the General Fund in accordance with the purposes stated for each fund in the budget.
- d. *Assigned fund balance* includes amounts assigned for specific uses as authorized by the Superintendent and/or Chief Financial Officer.
- e. *Unassigned fund balance* is the residual classification for balances not assigned to another category. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assign to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The District considers the spending of restricted fund balances for purposes for which such funds can be used to occur first when funds are spent for restricted and unrestricted purposes. When unrestricted classifications of fund balances are spent, the Board will consider the committed amounts will be reduced first, followed by assigned amounts and then unassigned amounts.

The Board of Directors recognizes its responsibility to establish an unrestricted fund balance in an amount sufficient to protect the District from unnecessary borrowing, provide prudent reserves to meet unexpected emergencies and protect against catastrophic events, meet the uncertainties of state and federal funding, ensure a favorable credit rating, and ensure the District operates as an ongoing entity and provides for future financial stability. The Board of Directors therefore adopted Policy DBDB whereby the Superintendent or designee is directed to manage the adopted budget in such a way as to ensure an ending unrestricted fund balance between a minimum of five percent and a maximum of ten percent of total adopted General Fund resources. Under this policy, the minimum unrestricted General Fund balance is \$3,855,344, which represents five percent of adopted resources (which includes the budgeted beginning fund balance of \$3,500,000), and the maximum unrestricted balance is \$7,710,688, which represents ten percent of adopted resources. The unassigned ending fund balance in the General Fund at June 30, 2017, is \$2,951,974 or 3.83%. In the preparation of the District's budget, the School Board approved the ending fund balance to drop to as low as 3.5%

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Notes to the Financial Statements

June 30, 2017

Note 2: Stewardship, Compliance, and Accountability

A budget is prepared and legally adopted for each governmental fund type, the two debt service funds, the proprietary fund type, and the fiduciary fund type in main program categories required by Oregon Local Budget Law. The District's budgetary basis of accounting is consistent with generally accepted accounting principles except the General Fund includes encumbrances, which have been recorded as expenditures in the current period. Encumbrances are open purchase orders for goods and services that have been committed but not yet received. The result is a timing difference. The budgetary comparison for the General Fund is prepared using the encumbrance method of accounting and is reconciled to the GAAP basis. Budgetary comparisons for the remaining District funds are prepared in accordance with GAAP and do not include encumbrances.

The budget is adopted, appropriations are made and the tax levy declared no later than June 30th. Expenditure budgets (including capital outlay) are appropriated at the following function levels for each fund type:

Level of Control

Instruction

Support services

Enterprise/community services

Facilities acquisition and construction

Interfund transactions

Debt service

Operating contingency

After budget approval, the Board may approve supplemental appropriations and appropriation transfers between levels of controls if an occurrence, condition, or need exists, which was not known at the time the budget was adopted.

Expenditures cannot legally exceed appropriations. Unencumbered appropriations lapse at the fiscal year end. Encumbered appropriations do not lapse and can be liquidated without further budgetary authorization at any time after the fiscal year end. Supplemental appropriations may occur if the Board approves them when a need, which was not determinable at the time the budget was adopted, exists. Any budget appropriations, transfers, or other amendments must be approved by the Board. The Board approved one appropriation transfer during the year.

Budget amounts shown in the combined financial statements reflect approved appropriation transfers. Appropriation transfers re-categorized expenditures within the General Fund.

Expenditures were within appropriations.

Note 3: State Constitutional Property Tax Limit

The State of Oregon has a constitutional limit on property taxes for government operations. Under the provisions of the limitation, tax revenues are separated into those for the public school system and those for local government operations other than the public school system. Property taxes levied for the payment of bonded indebtedness are exempt from the limitation, provided such bonds are either authorized by a specific provision of the Oregon Constitution or approved by the voters of the District for capital construction or improvements.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 4: Cash and Investments

Deposits with financial institutions include bank demand deposits, deposits in the local government investment pool, time certificates of deposit, and savings accounts deposits as authorized by Oregon statutes. The cash and investments are comprised of the following:

Local Government Investment Pool	\$ 13,234,808
Demand accounts	3,201,926
Petty cash	<u>2,500</u>
 Total cash and investments	 <u><u>\$ 16,439,234</u></u>

Investments

Generally accepted accounting principles require investments with a remaining maturity of more than one year at the time of purchase to be stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale.

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

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)
If the link has expired please contact the Oregon Short Term Fund directly.

Interest rate risk

In accordance with its investment policy, the District manages its exposure to declines in fair value of its investments by structuring the investment portfolio so that securities mature to meet ongoing operations. Interest risk is lessened by generally matching investment maturities with cash requirements so that sales prior to maturities (and the possible loss of principal) are minimized. The District's policy does not preclude the sale of securities prior to their maturity in order to improve the quality, net yield, or maturity characteristics of the portfolio.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 4: Cash and Investments (continued)

Credit risk

The District's investment policy, and Oregon Revised Statutes, authorizes the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities of the United States, commercial paper, bankers' acceptances guaranteed by a qualified financial institution, repurchase agreements, interest bearing bonds of any city, county, port, or school district in Oregon (subject to specific standards), and the Oregon State Local Government Investment Pool, among others. Credit risk is minimized by limiting investments to the safest types of securities and by diversifying the investment portfolio to limit the District's exposure to an individual security issuer or backer. The credit worthiness of a security issuer or backer prior to an investment being purchased is a major factor in the District's investment decisions.

Concentration of credit risk – investments

The District's investment policy places no limit on the amount the District may invest in U.S. Government agency securities, instrumentalities of government-sponsored corporations, or the State of Oregon Local Government Investment Pool. Investments in bankers' acceptances are limited to 50% of total investments. Investments in commercial paper are limited to 20% of total investments, and the corporation must meet specific strict criteria prior to the investment. The District's investment policy, and ORS 294.035, does not allow for an investment in any one corporate obligation that is in excess of five percent of the monies being invested.

Custodial credit risk – deposits

At year-end, the District's net carrying amount of deposits was \$3,193,965 and the bank balance was \$3,937,565. Of these deposits, \$590,538 was covered by federal depository insurance, while the remainder is collateralized by the Oregon Public Funds Collateralization Program (PFCP), created by the Oregon State Treasurer.

Oregon Revised Statutes permit governmental funds to be held at any insured financial institution with a head office or branch in Oregon. The Statutes also require governmental funds in banks in excess of deposit insurance to be held only by a state-approved qualified financial institution, which are required to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public funds if they are well-capitalized, or 110% of their quarter-end public fund deposits if they are adequately capitalized or undercapitalized. A depository institution's capitalization category is assigned by the FDIC on a quarterly basis. The District is required to report to the Oregon State Treasurer within three days of any change in depository. The District has complied with this requirement.

Note 5: Receivables

Receivables as of year-end are summarized as follows:

	<u>Other</u>
Receivables:	
General Fund	\$ 25,391
Special Revenue Fund	47,984
Capital Projects Fund	<u>25,625</u>
 Total	 <u><u>\$ 99,000</u></u>

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 6: Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance			Balance
	July 1, 2016	Increases	Decreases	June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,429,262	\$ -	\$ -	\$ 5,429,262
Construction in progress	10,349	9,551	(10,349)	9,551
Total capital assets not being depreciated	<u>5,439,611</u>	<u>9,551</u>	<u>(10,349)</u>	<u>5,438,813</u>
Capital assets being depreciated:				
Site improvements	4,000,925	169,536	-	4,170,461
Buildings and improvements	108,989,230	1,117,942	-	110,107,172
Equipment	11,509,025	368,090	(1,536,383)	10,340,732
Total capital assets being depreciated	<u>124,499,180</u>	<u>1,655,568</u>	<u>(1,536,383)</u>	<u>124,618,365</u>
Less accumulated depreciation for:				
Site improvements	2,621,234	162,885	-	2,784,119
Buildings and improvements	34,973,617	2,124,201	-	37,097,818
Equipment	7,980,608	590,404	(1,536,383)	7,034,629
Total accumulated depreciation	<u>45,575,459</u>	<u>2,877,490</u>	<u>(1,536,383)</u>	<u>46,916,566</u>
Total capital assets being depreciated, net	<u>78,923,721</u>	<u>(1,221,922)</u>	<u>-</u>	<u>77,701,799</u>
Governmental activities capital assets, net	<u>\$ 84,363,332</u>	<u>\$ (1,212,371)</u>	<u>\$ (10,349)</u>	<u>\$ 83,140,612</u>

Depreciation expense was charged to programs as follows:

Governmental activities:

Support services:

Instructional staff support	\$ 8,588
Executive administration	6,802
Business support services:	
Facilities acquisition	2,287,086
Plant services	22,145
Transportation	481,271
Food services	8,962
Internal services	1,250
Central support services	61,386
Total support services	<u>2,877,490</u>
Total depreciation expense - governmental activities	<u>\$ 2,877,490</u>

OREGON CITY SCHOOL DISTRICT NO. 62
 Clackamas County, Oregon
 Notes to the Financial Statements
 June 30, 2017

Note 7: Accrued compensated absences

Accrued compensated absences have been and are paid from revenue from the Fund where the employment salary resides. Activity for the year ended June 30, 2017, are as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>
Accrued compensated absences	<u>\$ 97,328</u>	<u>\$ 237,871</u>	<u>\$ 217,826</u>	<u>\$ 117,373</u>

Note 8: Long-Term Debt

Long-term debt consists of obligations from general obligation bonds, pension obligation bonds, certificates of participation, notes payable, and capital leases payable.

A summary of changes in long-term debt follows:

	<u>Balance Restated July 1, 2016</u>	<u>Additional Obligations</u>	<u>Payments & Adjustments</u>	<u>Balance June 30, 2017</u>	<u>Due within One Year</u>
General obligation refunding bonds - 2013	\$ 24,525,000	\$ -	\$ (6,650,000)	\$ 17,875,000	\$ 5,640,000
General obligation refunding bonds - 2014	15,000,000	-	(255,000)	14,745,000	265,000
Pension obligation bonds	39,205,000	-	(1,685,000)	37,520,000	1,935,000
2007 Certificates of participation	40,000	-	(40,000)	-	-
2008 Certificates of participation	100,002	-	(50,000)	50,002	50,002
Note payable	199,985	-	(47,281)	152,704	49,047
Note payable	173,496	-	(36,344)	137,152	37,572
Note payable	270,070	-	(41,899)	228,171	43,097
Note payable	315,127	-	(49,889)	265,238	50,913
Note payable	401,590	-	(29,553)	372,037	30,528
Note payable	399,729	-	(53,221)	346,508	54,466
Note payable	328,309	-	(43,609)	284,700	44,663
Note payable	459,711	-	(52,644)	407,067	53,954
Note payable	468,583	-	(48,618)	419,965	48,962
Note payable	-	447,386	(48,240)	399,146	41,295
	<u>81,886,602</u>	<u>447,386</u>	<u>(9,131,298)</u>	<u>73,202,690</u>	<u>8,344,499</u>
Unamortized:					
Bond premium	1,857,354	-	(14,071)	1,843,283	-
Bond discount	(94,107)	-	23,527	(70,580)	-
	<u>83,649,849</u>	<u>447,386</u>	<u>(9,121,842)</u>	<u>74,975,393</u>	<u>8,344,499</u>
Capital leases payable	192,880	151,840	(114,477)	230,243	115,080
Net pension obligation - early retirement	2,250,496	7,599	-	2,258,095	-
OPEB obligation - health care subsidy	<u>3,954,590</u>	<u>172,052</u>	<u>-</u>	<u>4,126,642</u>	<u>-</u>
Total	<u>\$ 90,047,815</u>	<u>\$ 778,877</u>	<u>\$ (9,236,319)</u>	<u>\$ 81,590,373</u>	<u>\$ 8,459,579</u>

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 8: Long-Term Debt (Continued):

General Obligation Refunding Bonds, Series 2013 issue

In a prior year, the District issued \$39,130,000 of General Obligation Refunding Bonds, Series 2013. The proceeds were used to advance refund \$36,230,000 of General Obligation Refunding Bonds, Series 2004, which had interest rates ranging from 2.0% to 5.05%. The net proceeds of \$38,941,785 (including a \$188,215 discount and after payment of \$88,648 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, \$36,230,000 of the General Obligation Refunding Bonds, Series 2004 are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,621,901. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The District advance refunded the Series 2004 bonds to reduce its total debt service payments over eight years by \$3,947,383 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) to the District of \$3,621,330. A description and maturity schedule follows:

Original net purchase price: \$38,941,785 including discount.

Interest payment dates: Interest on the obligations first payable on June 15, 2013, and semiannually thereafter on June 15 and December 15 of each year.

Maturity schedule: Bonds shall mature on June 15, 2013-2020, and bear interest of .3% to 2.024%.

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2018	\$ 5,640,000	\$ 318,496	\$ 5,958,496
2019	5,945,000	232,655	6,177,655
2020	6,290,000	127,310	6,417,310
Total	<u>\$ 17,875,000</u>	<u>\$ 678,461</u>	<u>\$ 18,553,461</u>

General Obligation Refunding Bonds, Series 2014 issue

In December, 2014, the District issued \$15,565,000 of Full Faith and Credit and Refunding Obligations, Series 2014. The proceeds were used to advance refund three notes payable and for the construction of a new transportation facility for the District. Proceeds of \$3,761,240 were deposited into an irrevocable trust with an escrow agent and are therefore considered defeased; the liability for those notes has been removed from the Statement of Net Position.

The balance of the proceeds (including a premium of \$1,865,440 and after payment of \$231,350 in issuance costs) were deposited into the District's LGIP account to be drawn on as the transportation facility progresses. The premium is being netted against the new debt and amortized over the life of the bond.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 8: Long-Term Debt (Continued)

General Obligation Refunding Bonds, Series 2014 issue (continued)

The District advance refunded the three notes to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) to the District of \$400,554. The Capital Projects Fund is used to liquidate this liability. A description and maturity schedule follows:

Original net purchase price: \$ 17,430,440 including discount.

Interest payment dates: Interest on the obligations first payable on June 1, 2016, and semiannually thereafter on June 11 and December 11 of each year.

Maturity schedule: Bonds shall mature on June 1, 2016-2039 and bear interest of 2% to 5%.

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2018	\$ 265,000	\$ 677,806	\$ 942,806
2019	490,000	667,206	1,157,206
2020	505,000	656,182	1,161,182
2021	520,000	640,938	1,160,938
2022	535,000	625,012	1,160,012
2023 - 2027	2,995,000	2,804,350	5,799,350
2028 - 2032	3,795,000	1,998,000	5,793,000
2033 - 2037	3,990,000	990,000	4,980,000
2038 - 2041	1,650,000	124,750	1,774,750
Total	<u>\$ 14,745,000</u>	<u>\$ 9,184,244</u>	<u>\$ 23,929,244</u>

Limited Tax Pension Obligation Bonds, Series 2004 issue

In February 2004, the District issued \$45,990,000 of series 2004 limited tax pension obligation bonds to finance its portion of the unfunded actuarial liability (UAL) with the State of Oregon Public Employees Retirement System (PERS) as of March 1, 2004. Also financed was an interest fund to help subsidize interest payments through December 30, 2006. The interest fund was placed in an irrevocable trust to provide for interest subsidy. As required by generally accepted accounting principles, the assets and liabilities of these trust accounts are not included in the District's basic financial statements. The issuance of the bonds was considered an advance refunding of the District's UAL and resulted in an estimated present value savings of approximately \$11.9 million over the life of the bonds based on a true interest cost of 5.493%. The actual savings realized by the District over the life of the pension obligation bonds cannot be determined because of uncertainty regarding the ultimate investment earnings of the advance refunding relative to the amount of interest expense that will be paid on the bonds. Also uncertain are the possible legislative changes to PERS and pending legal issues which could impact the District's future required contribution rate. A description and maturity schedule follows:

OREGON CITY SCHOOL DISTRICT NO. 62
 Clackamas County, Oregon
 Notes to the Financial Statements
 June 30, 2017

Note 8: Long-Term Debt (Continued)

Limited Tax Pension Obligation Bonds, Series 2004 issue (continued)

Original net purchase price: \$45,990,000.

Interest payment dates: Interest on the obligations first payable on June 30, 2004, and semiannually thereafter on June 30 and December 30 of each year.

Maturity schedule: Bonds shall mature on June 30, 2008-2028, and bear interest of 3.250% to 5.528%.

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2018	\$ 1,935,000	\$ 2,141,429	\$ 4,076,429
2019	2,205,000	1,954,042	4,159,042
2020	2,500,000	1,836,670	4,336,670
2021	2,820,000	1,702,345	4,522,345
2022	3,165,000	1,549,416	4,714,416
2023 - 2027	22,060,000	4,691,890	26,751,890
2028 - 2029	2,835,000	156,719	2,991,719
Total	<u>\$ 37,520,000</u>	<u>\$ 14,032,511</u>	<u>\$ 51,552,511</u>

Certificate of Participation, 2007 issue

The District sold \$326,000 in lease-purchase certificates of participation on May 15, 2007 for the purpose of acquiring four buses. The Special Revenue Fund is used to liquidate this liability. A description and maturity schedule of the certificates follows:

Net purchase price: \$ 319,969 net of issuance costs of \$6,031

Interest payment dates: Interest on the obligations first payable on December 1, 2007, and semi-annually thereafter on June 1 and December 1 of each year.

Maturity schedule: Certificates shall mature on June 1, 2017, and bear interest of 5.151%. The lease was paid off in the current year.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 8: Long-Term Debt (Continued)

Certificate of Participation, 2008 issue

The District sold \$438,000 in lease-purchase certificates of participation on July 1, 2008 for the purpose of acquiring a food delivery van and four buses. The Special Revenue Fund is used to liquidate this liability. A description and maturity schedule of the certificates follows:

Net purchase price: \$ 429,979 net of issuance costs of \$8,102.

Interest payment dates: Interest on the obligations first payable on December 1, 2008, and semi-annually thereafter on June 1 and December 1 of each year.

Maturity schedule: Certificates shall mature on June 1, 2018, and bear interest rates of 2.4% to 4.3%.

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2018	\$ 50,002	\$ 2,150	\$ 52,152
Total	<u>\$ 50,002</u>	<u>\$ 2,150</u>	<u>\$ 52,152</u>

Note Payable

The District purchased transportation equipment in February 2010. In order to acquire the equipment, the District borrowed \$450,000 from U. S. Bank National Association. The Special Revenue Fund will be used to liquidate this liability. A description and maturity schedule of the note follows:

Net purchase price: \$ 450,000

Interest payment dates: Interest on the obligation first payable on August 8, 2010, and semi-annually thereafter on February 8 and August 8 of each year.

Maturity schedule: The note will mature on February 8, 2020, and bears interest of 3.70%.

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2018	\$ 49,047	\$ 5,201	\$ 54,248
2019	50,879	3,369	54,248
2020	52,778	1,469	54,247
Total	<u>\$ 152,704</u>	<u>\$ 10,039</u>	<u>\$ 162,743</u>

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 8: Long-Term Debt (Continued)

Note Payable

The District purchased transportation equipment in December 2010. In order to acquire the equipment, the District borrowed \$353,175 from U. S. Bank National Association. The Special Revenue Fund will be used to liquidate this liability. A description and maturity schedule of the note follows:

Net purchase price: \$ 353,175

Interest payment dates: Interest on the obligation first payable on June 14, 2011, and semi-annually thereafter on December 14 and June 14 of each year.

Maturity schedule: The note will mature on December 14, 2020, and bears interest of 3.35%.

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2018	\$ 37,572	\$ 4,282	\$ 41,854
2019	38,842	3,013	41,855
2020	40,154	1,701	41,855
2021	20,584	355	20,939
Total	<u>\$ 137,152</u>	<u>\$ 9,351</u>	<u>\$ 146,503</u>

Note Payable

The District purchased transportation equipment in May 2012. In order to acquire the equipment, the District borrowed \$437,000 from Municipal Asset Management, Inc. The Special Revenue Fund will be used to liquidate this liability. A description and maturity schedule of the note follows:

Net purchase price: \$ 437,000

Interest payment dates: Interest on the obligation first payable on July 1, 2012, and annually thereafter on July 1 for ten years.

Maturity schedule: The note will mature on July 1, 2021, and bears interest of 2.86%.

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2018	\$ 43,097	\$ 6,526	\$ 49,623
2019	44,330	5,293	49,623
2020	45,598	4,025	49,623
2021	46,902	2,721	49,623
2022	48,244	1,380	49,624
Total	<u>\$ 228,171</u>	<u>\$ 19,945</u>	<u>\$ 248,116</u>

OREGON CITY SCHOOL DISTRICT NO. 62
 Clackamas County, Oregon
 Notes to the Financial Statements
 June 30, 2017

Note 8: Long-Term Debt (Continued)

Note Payable

The District purchased transportation equipment in August 2012. In order to acquire the equipment, the District borrowed \$510,000 from U. S. Bank National Association. The Special Revenue Fund will be used to liquidate this liability. A description and maturity schedule of the note follows:

Net purchase price: \$ 510,000

Interest payment dates: Interest on the obligation first payable on February 14, 2013 and annually thereafter on February 14 for ten years.

Maturity schedule: The note will mature on February 14, 2022, and bears interest of 6.03%.

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2018	\$ 50,913	\$ 5,447	\$ 56,360
2019	51,959	4,401	56,360
2020	53,026	3,334	56,360
2021	54,115	2,245	56,360
2022	55,225	1,134	56,359
Total	<u>\$ 265,238</u>	<u>\$ 16,561</u>	<u>\$ 281,799</u>

Note Payable

The District made mechanical and controls systems upgrades at one of its schools in July 2012. In order to perform the upgrades, the District borrowed \$500,000 through the State of Oregon Small Scale Local Energy Program. The loan was funded in November 2012. The Capital Projects Fund will be used to liquidate this liability. A description and maturity schedule of the note follows:

Net purchase price: \$ 500,000

Interest payment dates: Interest on the obligation first payable on January 31, 2013 and monthly thereafter for twenty-five years.

Maturity schedule: The note will mature on December 31, 2027, and bears interest of 3.25%.

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2018	\$ 30,528	\$ 11,640	\$ 42,168
2019	31,535	10,633	42,168
2020	32,549	9,619	42,168
2021	33,649	8,519	42,168
2022	34,759	7,409	42,168
2023 - 2027	191,756	19,084	210,840
2028	17,261	140	17,401
Total	<u>\$ 372,037</u>	<u>\$ 67,044</u>	<u>\$ 439,081</u>

OREGON CITY SCHOOL DISTRICT NO. 62
 Clackamas County, Oregon
 Notes to the Financial Statements
 June 30, 2017

Note 8: Long-Term Debt (Continued)

Note Payable

The District purchased transportation equipment in August 2013. In order to acquire the equipment, the District borrowed \$565,000 from U. S. Bank National Association. The Special Revenue Fund will be used to liquidate this liability. A description and maturity schedule of the note follows:

Net purchase price: \$ 565,000

Interest payment dates: Interest on the obligation first payable on September 27, 2013, and annually thereafter on August 27 for nine years.

Maturity schedule: The note will mature on August 27, 2022, and bears interest of 2.31%.

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2018	\$ 54,466	\$ 8,103	\$ 62,569
2019	55,740	6,829	62,569
2020	57,043	5,526	62,569
2021	58,377	4,192	62,569
2022	59,742	2,827	62,569
2023	61,140	1,430	62,570
Total	<u>\$ 346,508</u>	<u>\$ 28,907</u>	<u>\$ 375,415</u>

Note Payable

The District modernized and performed upgrades to the HVAC system/controls at one of its schools in October 2013. In order to finance the improvements, the District borrowed \$565,000 from U. S. Bank National Association. The Capital Projects Fund will be used to liquidate this liability. A description and maturity schedule of the note follows:

Net purchase price: \$ 458,500

Interest payment dates: Interest on the obligation first payable on May 15, 2014, and annually thereafter for nine years.

Maturity schedule: The note will mature on May 15, 2023, and bears interest of 2.39%.

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2018	\$ 44,663	\$ 6,880	\$ 51,543
2019	45,742	5,801	51,543
2020	46,848	4,695	51,543
2021	47,980	3,563	51,543
2022	49,139	2,404	51,543
2023	50,328	1,216	51,544
Total	<u>\$ 284,700</u>	<u>\$ 24,559</u>	<u>\$ 309,259</u>

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 8: Long-Term Debt (Continued)

Note Payable

The District acquired new transportation equipment in August 2015. In order to finance the equipment, the District borrowed \$575,000 from U.S. Bancorp Government Leasing & Finance, Inc. The Special Revenue Fund will be used to liquidate this liability. A description and maturity schedule of the note follows:

Net purchase price: \$ 575,000

Interest payment dates: Interest on the obligation first payable on August 15, 2016, and annually thereafter for eight years.

Maturity schedule: The note will mature on August 15, 2023, and bears interest of 2.49%.

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2018	53,954	10,128	64,082
2019	55,297	8,785	64,082
2020	56,672	7,409	64,081
2021	58,082	5,999	64,081
2022	59,527	4,554	64,081
2023-2024	123,535	4,629	128,164
Total	<u>\$ 407,067</u>	<u>\$ 41,504</u>	<u>\$ 448,571</u>

Note Payable

The District acquired new transportation equipment in October 2015. In order to finance the equipment, the District borrowed \$525,000 from U.S. Bancorp Government Leasing & Finance, Inc. The Special Revenue Fund will be used to liquidate this liability. A description and maturity schedule of the note follows:

Net purchase price: \$ 525,000

Interest payment dates: Interest on the obligation first payable on August 30, 2016, and annually thereafter for nine years.

Maturity schedule: The note will mature on August 30, 2024, and bears interest of 1.982%.

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2018	\$ 48,962	\$ 8,322	\$ 57,284
2019	49,932	7,352	57,284
2020	50,922	6,362	57,284
2021	51,931	5,353	57,284
2022	52,960	4,324	57,284
2023-2024	165,258	6,593	171,851
Total	<u>\$ 419,965</u>	<u>\$ 38,306</u>	<u>\$ 458,271</u>

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 8: Long-Term Debt (Continued)

Note Payable

The District acquired new transportation equipment in November 2016. In order to finance the equipment, the District borrowed \$447,386 from U.S. Bancorp Government Leasing & Finance, Inc. The Special Revenue Fund will be used to liquidate this liability. A description and maturity schedule of the note follows:

Net purchase price: \$447,386

Interest payment dates: Interest on the obligation first payable on November 13, 2016, and annually thereafter on October 13 for nine years.

Maturity schedule: The note will mature on October 31, 2025, and bears interest of 2.093%.

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2018	\$ 41,295	\$ 7,750	\$ 49,045
2019	41,556	7,490	49,046
2020	42,426	6,620	49,046
2021	43,314	5,732	49,046
2022	44,221	4,825	49,046
2023-2024	186,334	9,849	196,183
Total	<u>\$ 399,146</u>	<u>\$ 42,266</u>	<u>\$ 441,412</u>

OREGON CITY SCHOOL DISTRICT NO. 62
 Clackamas County, Oregon
 Notes to the Financial Statements
 June 30, 2017

Note 9: Capital Leases

The District entered into a lease for the acquisition of technology equipment valued at \$115,444. The equipment has a three-year estimated useful life. The lease qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of its future minimum lease payments as of the inception date. The Capital Projects Fund is used to liquidate this lease.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Year ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 30,328
Total minimum lease payments	30,328
Less: amount representing interest	(1,000)
Present value of minimum lease payments	\$ <u>29,328</u>

The District entered into a lease for the acquisition of technology equipment valued at \$154,598. The equipment has a three-year estimated useful life. The lease qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of its future minimum lease payments as of the inception date. The Capital Projects Fund is used to liquidate this lease.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Year ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 38,650
2019	38,649
Total minimum lease payments	77,299
Less: amount representing interest	(3,760)
Present value of minimum lease payments	\$ <u>73,539</u>

OREGON CITY SCHOOL DISTRICT NO. 62
 Clackamas County, Oregon
 Notes to the Financial Statements
 June 30, 2017

Note 9: Capital Leases (Continued)

The District entered into a lease for the acquisition of technology equipment valued at \$41,893. The equipment has a three-year estimated useful life. The lease qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of its future minimum lease payments as of the inception date. The Capital Projects Fund is used to liquidate this lease.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Year ending June 30	Governmental Activities
2018	\$ 13,339
2019	<u>1,875</u>
Total minimum lease payments	15,214
Less: amount representing interest	<u>(634)</u>
Present value of minimum lease payments	\$ <u><u>14,580</u></u>

The District entered into a lease for the acquisition of technology equipment valued at \$151,840. The equipment has a three-year estimated useful life. The lease qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of its future minimum lease payments as of the inception date. The Capital Projects Fund is used to liquidate this lease.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Year ending June 30	Governmental Activities
2018	\$ 39,044
2019	39,044
2020	<u>39,044</u>
Total minimum lease payments	117,132
Less: amount representing interest	<u>(4,336)</u>
Present value of minimum lease payments	\$ <u><u>112,796</u></u>

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 10: Early Retirement

Plan description

The District maintains a single-employer early retirement incentive program for its employees, as per collective bargaining agreements, for certain retirees. The benefits vary by agreement and depend upon a retiree's years of service and salary. In general, the District pays a monthly stipend based on the age of the retiree, a certain percentage of the final salary times the number of months remaining until age 62. The retiree may apply all or part of the entire stipend toward continuing insurance costs. The District does not issue a stand-alone report for this plan. The General Fund has been used to liquidate the early retirement liability.

Benefits payable

A summary of benefits payable under this plan is as follows:

Administrative retirees are eligible to receive a stipend of 1.63% of base annual salary payable monthly from age 58 until age 62. The monthly stipend may be prorated and paid out over a longer period upon mutual consent of the District and the retiree.

Licensed retirees are eligible to receive a monthly stipend based on the number of full-time years of service with the District. Payments range from \$511 per month to \$684 per month based on years of service to the District. The monthly stipend may be prorated and paid out over a longer period upon mutual consent of the District and the retiree.

Stipend payments end upon death of the retiree.

Summary of significant accounting policies

The early retirement stipend plan is accounted for in the General Fund, which is reported on the modified accrual basis. The District's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. For the government wide financial statements, a pension liability is recognized in noncurrent liabilities.

Funding policy

The benefits from this program are fully paid by the District and, consequently, no contributions by employees are required.

OREGON CITY SCHOOL DISTRICT NO. 62
 Clackamas County, Oregon
 Notes to the Financial Statements
 June 30, 2017

Note 10: Early Retirement (continued)

Change Early Retirement Pension Liability - The District's annual early retirement pension liability is calculated in accordance with the parameters of GASB Statement No. 73. The following table shows the components of the District's early retirement pension costs for the year ending June 30, 2017, including actuarially calculated contributions to the plan, and changes in the District's total early retirement pension liability:

Beginning of Year 7/1/16	<u>\$ 2,250,496</u>
Service Cost	76,822
Benefit Payments	(279,281)
Effect of assumptions changes	125,782
Interest on Total Pension Liability	<u>84,276</u>
End of Year, 6/30/2017	<u><u>\$ 2,258,095</u></u>

This District's schedule of total pension liability, under GASB Statement No. 73 is:

Fiscal Year Ending	Total Pension Liability (TPL)	Covered Payroll	TPL as a Percentage of Covered Payroll
6/30/2017	\$ 2,258,095	\$ 21,453,708	10.53%
6/30/2016	2,250,796	22,724,540	9.90%

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	112,257
Contributions made subsequent to measurement date	<u>-</u>	<u>232,536</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ 344,793</u></u>

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 10: Early Retirement (continued)

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

Year ended June 30:

2018	\$	13,525
2019		13,525
2020		13,525
2021		13,525
2022		13,525
Thereafter		<u>277,168</u>
Total	\$	<u><u>344,793</u></u>

Actuarial methods and assumptions – This District completed an updated actuarial valuation of this plan as of 6/30/2015, which included a roll-forward of contributions and liabilities for 6/30/2017, under GASB Statement No.73. The District has elected to use the Entry Age Normal (level percent of pay) Method for calculating the Early Retirement Pension Accrued Liability in accordance with accepted actuarial principles. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Plan assumptions include 2.50% inflation rate and a discount rate of 2.85%. Other plan assumptions include health care costs and premiums will increase 5.75% in the first year, 8325% in the second year, and 6.75% in the third year. In future years, the medical costs trend varies between 6.25% and 5.25% due to the timing of the excise tax scheduled to affect health care benefits beginning in 2020, before settling at an ultimate trend of 5.25%. Dental and vision costs will increase by 4.50% in each future year. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

Sensitivity Analysis – Sensitivity analysis demonstrates early retirement pension liability changes, as a result of a change in the assumed discount rate. The following presents the District's early retirement pension liability, calculated at 1% lower and 1% higher than the assumed rate of 3%.

	1% Decrease	Current Rate	1% Increase
District's Early Retirement Pension Liability - on 6/30/2017	<u>\$ 2,385,705</u>	<u>\$ 2,258,095</u>	<u>\$ 2,134,280</u>

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 11: Post-Employment Health Care Subsidy

Plan Description

The District, as a result of collective bargaining agreements, offers a post-employment health care subsidy under a single-employer, defined benefit plan. All employees covered under OEGB medical benefits at the time of retirement are eligible. Employees must retire from active service while eligible for a pension benefit payable immediately under Oregon PERS. This plan is not a stand-alone plan and therefore does not issue its own financial statements. The General Fund has been used to liquidate this liability.

Retirees and their dependents under age 65 are allowed to continue the health care coverages received prior to retirement. Premiums for retirees are tiered and based upon the premium rates available to active employees. The retiree is responsible for any portion of the premiums not paid by the District.

The implicit employer subsidy is measured as the expected health care cost per retiree and dependent, less the gross premiums charged by the insurance carrier for that coverage. The subsidy is only measured for retirees and spouses younger than 65, at which point such retirees and spouses typically become eligible for Medicare.

Summary of significant accounting policies

The plan is accounted for in the General Fund, which is reported on the modified accrual basis. The District's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. For purposes of the government-wide financial statements, an obligation for other post-employment benefits is recognized as a liability, as described in the following paragraphs. Because the District has not transferred the assets to an insurance trust, the actuarial value of plan assets is zero.

Funding policy

The benefits for this program are fully paid by the District and, consequently, no contributions by employees are required.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 11: Post-Employment Health Care Subsidy (continued)

Annual cost and OPEB obligation

The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, and the amount is actuarially determined within the parameters of GASB Statement 45. Calculations are based on the types of benefits provided under the plan at the time of each valuation and on the pattern of sharing of costs between the District and the plan members to that point. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period of fifteen years. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the District and plan members to that point. The following table shows the components of the OPEB obligation at the end of the year.

	2017	2016	2015
Annual required contribution	\$ 987,243	\$ 1,062,766	\$ 1,029,169
Interest on net OPEB obligation	138,411	127,472	115,589
Adjustment to ARC	(475,505)	(437,924)	(397,101)
Annual OPEB cost	650,149	752,314	747,657
Implicit benefit payments	(478,097)	(439,767)	(408,151)
Increase in net OPEB obligation	172,052	312,547	339,506
Net OPEB obligation - beginning of year	3,954,590	3,642,043	3,302,537
Net OPEB obligation - end of year	<u>\$ 4,126,642</u>	<u>\$ 3,954,590</u>	<u>\$ 3,642,043</u>

The following table shows the annual OPEB cost and net OPEB obligation for the year ended June 30, 2017 and the three preceding years:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 650,149	74%	\$ 4,126,642
6/30/2016	752,314	58%	3,954,590
6/30/2015	747,657	55%	3,642,043
6/30/2014	994,182	57%	3,302,537
6/30/2013	969,329	60%	2,870,951
6/30/2012	1,402,202	60%	2,485,326
6/30/2011	1,360,253	59%	1,926,737
6/30/2010	1,473,961	54%	1,363,783

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 11: Post-Employment Health Care Subsidy (continued)

Actuarial methods and assumptions

The annual required contribution (ARC) for the current year was determined as part of the October 1, 2015 actuarial valuation using the projected unit credit cost method, the objective of which is to fund each member's benefit under the plan as it accrues. The ARC is equal to the employer-provided benefit attributable to employee service in the current year plus an amount to amortize the unfunded actuarial accrued liability as a level dollar amount over a period of ten years. The ARC represents an accounting expense, but the District is not required to contribute the ARC to a separate trust; therefore, the ARC less actual benefit payments accumulates as a liability on the District's government-wide statement of net position. The actuarial assumptions include an open amortization period; a rate of return on investment of present and future assets of 3.50 percent (the discount rate applied to the liability); increases in medical and prescription drug costs between 5.25 percent to 8.25 percent per year, and increases in dental and vision costs of 4.50 percent per year; and an inflation rate of 2.50 percent.

Actuarial valuations for the OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations for the plan reflect a long-term perspective.

Funding status and funding progress

As of October 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The October 1, 2015 actuarial accrued liability for benefits was \$5,223,819, and the actuarial value of assets was zero, resulting in an unfunded actuarial liability of \$5,223,819. The current year's covered payroll (annual payroll of active employees covered by the plan) was \$34,836,849, and the ratio of the unfunded actuarial liability to the current year's covered payroll was 15.00 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, provides multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 12: Reconciliation of Budgetary Basis to Fund Financial Statements

General Fund

The following is a reconciliation of the General Fund's total expenditures, budgetary basis, to total expenditures in the fund financial statements:

Total expenditures, budgetary basis	\$ 74,941,064
Plus amounts expended in 2016-2017 that were related to encumbrances outstanding in prior periods and were recorded under the budgetary basis as expenditures in prior fiscal years.	328,998
Less encumbrances placed during 2016-2017 and still outstanding at June 30, 2017, which were recorded as 2016-2017 expenditures under the budgetary basis, but which are not considered to be expended under GAAP.	(40,913)
Net adjustments	288,085
Total expenditures, fund financial statements	\$ 75,229,149

Note 13: Defined Benefit Pension Plan

Oregon Public Employees Retirement System (PERS)

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at: <http://www.oregon.gov/PERS/Documents/Financial/CAFR/2016-CAFR.pdf>

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

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 13: Defined Benefit Pension Plan (continued)

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

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

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2017 were approximately \$3,763,252, excluding amounts to fund employer specific liabilities. Approximately \$3,815,805 was charged for the year ended June 30, 2017 as PERS benefits expenditures to be used for bond payments as they become due. In addition approximately \$2,493,994 in employee contributions were paid or picked up by the District in fiscal 2017.

At June 30, 2017, the District reported a liability of \$67,183,006 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At December 31, 2014, the District's proportion was .45 percent.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 13: Defined Benefit Pension Plan (continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 2,222,707	\$ -
Changes in assumptions	14,328,521	-
Net difference between projected and actual earnings on pension plan investments	13,272,543	-
Changes in proportionate share	1,295,751	-
Differences between employer contributions and employer's proportionate share of system contributions	32,487	771,862
Subtotal	31,152,009	771,862
Contributions subsequent to measurement date	3,763,252	-
Net deferred outflow (inflow) of resources	<u>\$ 34,915,261</u>	<u>\$ 771,862</u>

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

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 5,522,476
2018	5,522,476
2019	10,410,925
2020	7,831,265
2021	1,093,005
Thereafter	-
Total	<u>\$ 30,380,147</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated December 1, 2016. Oregon PERS produces an independently audited CAFR which can be found at: <http://www.oregon.gov/PERS/Documents/Financial/CAFR/2016-CAFR.pdf>

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

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

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 13: Defined Benefit Pension Plan (continued)

Actuarial Methods and Assumptions:

Valuation date	December 31, 2014 rolled forward to June 30, 2016 measurement date
Experience Study Report	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.5 percent (reduced from 2.75 percent)
Investment rate of return	7.5 percent (reduced from 7.75 percent)
Projected salary increase	3.5 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service (reduced from 3.5 percent)
Cost of Living Adjustment	Blend of 2.0 percent COLA and graded COLA (1.25/0.15 percent) in accordance with <i>Moro</i> decision, blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 sex distinct, generational per scale BB, disabled mortality rate.

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

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 13: Defined Benefit Pension Plan (continued)

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

Source: June 30, 2014 PERS CAFR; p. 54 – 55)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-term Bonds	8.00%	3.70%
Intermediate-Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equity	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	7.71%	6.07%
Assumed Inflation		2.75%

Source: June 30, 2014 PERS CAFR; p. 54 – 55)

OREGON CITY SCHOOL DISTRICT NO. 62
 Clackamas County, Oregon
 Notes to the Financial Statements
 June 30, 2017

Note 13: Defined Benefit Pension Plan (continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	Decrease (6.5%)	Rate (7.5%)	Increase (8.5%)
District's proportionate share of the net pension liability	\$ 108,478,154	\$ 67,183,006	\$ 32,667,488

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

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

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan that is invested in the IAP. The District makes this contribution on behalf of its employees.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 14: Contingencies

Amounts received or receivable from grant 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 amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the district expects such amounts, if any, to be immaterial.

Note 15: Interfund Transfers

In accordance with legal restrictions, transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 210,000
Special Revenue Fund	274,000	-
Capital Projects Fund	-	114,000
Internal Service Fund	50,000	
	<hr/>	<hr/>
Total	<u>\$ 324,000</u>	<u>\$ 324,000</u>

The District makes transfers from the General Fund and its Capital Projects Fund to various funds for specific projects and designated needs. As of June 30, 2017 the General Fund advanced \$60,000 and the Capital Projects Fund advanced \$114,000 to the Special Revenue textbook fund. The General Fund advanced \$50,000 to the Risk Fund for a reserve for claims and \$100,000 to the Transportation Special Revenue Fund for new transportation equipment. This was approved by the School Board in the Adopted 2016-17 budget.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 16: Due To and Due From Other Funds

Interfund balances represent cash owed by one fund to another. The District utilizes a common cash depository. The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Major components of the balances include reimbursement from the State School Fund Transportation Grant for amounts spent on a new facility, debt payments made on bonds for tax receivables due, and payments for reimbursable grants and risk claims. These amounts are not included in the Government Wide Statement of Net Position. For purposes of the fund financial statements, individual fund due to and from other funds at June 30, 2017 were as follows:

Fund	Due From	Due To
General Fund	\$ 402,457	\$ -
Special Revenue Fund	1,476,734	3,060,853
Debt Service Fund	-	783,949
Pension Obligation Fund	150,000	-
Capital Projects Fund	1,419,847	-
Internal Service Fund	395,764	-
	3,844,802	3,844,802
General Due to Fiduciary	225,636	-
Fiduciary Fund	-	225,636
	-	225,636
Total	\$ 4,070,438	\$ 4,070,438

Note 17: Risk Management

The District secures and maintains commercial insurance coverage to protect against most risks of asset loss, personal injury and other torts, errors and omissions, and natural disasters. The District has not exceeded the claims limitation on its insurance policies for the last three years. The District retains a limited risk management program to self-insure for workers' compensation costs, unemployment claims, and liability claims.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The result of the process to estimate claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effect of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors.

A summary of changes in aggregate liabilities for claims follows:

	Beginning Balance	Additions	Deletions	Ending Balance
2015-2016	\$ 13,231	\$ 54,547	\$ 65,681	\$ 2,097
2016-2017	\$ 2,097	\$ 28,407	\$ 12,951	\$ 17,553

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Notes to the Financial Statements
June 30, 2017

Note 18: Subsequent Events

In July 2017, the School Board authorized the District to enter into a lease agreement with Apple Computer for the purchase of 135 Apple Laptops at a total cost of \$146,994.

Note 19: Restatement

Beginning net position was restated in the current year by (\$267,170) for the implementation of GASB 73.

Note 20: Tax Abatement Disclosures

As of June 30, 2017, the Molalla River School District had tax abatements through two programs that impacted their levied taxes: Housing Authority Partnership and Property of Nonprofit Corporations Held for Public Parks or Recreation Purposes.

Housing Authority Partnership ([ORS 307.092](#)):

- The property of a housing authority is declared to be public property if used for essential public and governmental purposes and, upon compliance with ORS [307.162 \(Claiming exemption\)](#), the property and the housing authority are exempt from all taxes and special assessments of the city, the county, the state or any political subdivision of the city, county or state.

In lieu of taxes or special assessments, the authority may agree to make payments to the city, county or political subdivision for improvements, services and facilities furnished by the city, county or political subdivision for the benefit of a housing project, but in no event may the payments exceed the estimated cost to the city, county or political subdivision of the improvements, services or facilities furnished. Property of a housing authority that is commercial property leased to a taxable entity is not exempt from taxation and special assessments under this section.

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
Housing Authority Partnership	\$ 74,710
	<u>\$ 74,710</u>

REQUIRED
SUPPLEMENTARY
INFORMATION

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON
REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2017

Post-Employment Health Care Subsidy
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UALL) Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b- a)/c)
10/1/2008	\$ -	\$ 10,644,786	\$ 10,644,786	0%	\$ 31,850,851	33.42%
10/1/2009	-	10,614,387	10,614,387	0%	33,587,587	31.60%
10/1/2011	-	7,955,365	7,955,365	0%	31,034,552	25.63%
10/1/2012	-	8,088,575	8,088,575	0%	30,006,151	26.96%
10/1/2013	-	5,538,837	5,538,837	0%	33,922,255	16.33%
10/1/2015	-	5,223,819	5,223,819	0%	34,836,849	15.00%

The most recent actuarial valuation date was October 1, 2015 for the Post-Employment Health Care Subsidy. In accordance with applicable guidelines, the next actuarial valuation will be performed in fiscal 2017-18 to be utilized for future fiscal years. Actuarial valuations are not performed in odd-numbered fiscal years. The AAL shows in odd-numbered years is rolled forward from the prior actuarial valuation assuming no gains or losses.

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFITS LIABILITY
AND RELATED RATIOS STIPEND BENEFITS**

For the Year Ended June 30, 2017

Total Pension Liability at June 30, 2016	\$ 2,250,496
Changes for the year	
Service Cost	76,822
Interest on Total Pension Liability	84,276
Effect of assumptions changes or inputs	125,782
Benefit payments	<u>(279,281)</u>
Total Pension Liability at June 30, 2017	<u>\$ 2,258,095</u>
Covered Payroll	21,453,708
Net Single Employer Pension Plan as a Percentage of Covered Payroll	10.53%

Note: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full year trend has been compiled, information is presented for the years for which the required supplementary schedule information is available. The District implemented GASB 73 in the fiscal year ending June 30, 2017.

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON
REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2017

Oregon Public Retirement System

Schedule of the District's Proportionate Share of the Net Pension Liability (Asset) Last 10 Fiscal Years*

<u>Year ended June 30,</u>	<u>District's proportion of the net pension liability (NPL)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered payroll</u>	<u>NPL (asset) as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability (asset)</u>
2017	0.3934396%	\$ 67,183,006	\$ 40,051,217	167.743%	80.50%
2016	0.3934396%	24,875,706	38,663,017	64.340%	91.90%
2015	0.3934396%	(10,973,772)	35,806,805	-30.647%	103.60%
2014	0.3934396%	8,918,152	34,464,098	25.877%	92.00%

Schedule of District Contributions

<u>Year ended June 30,</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2017	\$ 6,714,828	\$ 6,714,828	\$ -	\$ 41,519,376	16.17%
2016	7,562,596	7,562,596	-	40,051,217	18.88%
2015	7,026,875	7,026,875	-	38,663,017	18.17%
2014	6,506,367	6,506,367	-	35,806,805	18.17%

*Information for years prior to 2014 are not available. As the information becomes available additional years will be presented to show a 10-year trend.

SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

OREGON CITY SCHOOL DISTRICT NO. 62**Clackamas County, Oregon****General Fund - Revenues, Expenditures, and Changes in Fund Balance - (Non GAAP Budgetary Basis)****For the Fiscal Year Ended June 30, 2017**

Revenue	Total	Final Budgeted Amount	Variance with Final Budget
Local Sources:			
1111 Current Year Taxes	\$ 24,050,195	\$ 22,449,295	\$ 1,600,900
1112 Prior Year Taxes	363,674	450,000	(86,326)
1114 Payments in Lieu of Property Taxes	10,730	15,000	(4,270)
1190 Penalties and Interest Taxes	91,506	85,000	6,506
1312 Tuition from Other Districts Within State	-	15,000	(15,000)
1400 Transportation Fees	72,802	52,500	20,302
1500 Earnings on Investments	248,684	130,000	118,684
1700 Extracurricular Activities	203,158	192,500	10,658
1800 Community Services Activities	540,596	484,670	55,926
1910 Rentals	258,038	325,000	(66,962)
1920 Donations - Private Sources	325	-	325
1940 Services Provided Other Education Agencies	29,870	33,000	(3,130)
1960 Recovery of Prior Years' Expenditure	104,756	205,000	(100,244)
1980 Fees Charged to Grants	37,790	150,000	(112,210)
1990 Miscellaneous	131,069	137,000	(5,931)
Total Local Sources	26,143,193	24,723,965	1,419,228
Intermediate Sources:			
2101 County School Funds	-	10,000	(10,000)
2102 ESD Funds	812,538	795,000	17,538
Total Intermediate Sources	812,538	805,000	7,538
State Sources:			
3101 State School Fund	42,704,587	42,715,701	(11,114)
3103 Common School Fund	942,191	786,255	155,936
3105 State School Fund (SSF) Transportation	2,366,270	4,195,956	(1,829,686)
3199 Other Unrestricted Grants-in-Aid	689,133	325,000	364,133
3204 Driver Education	42,810	45,000	(2,190)
Total State Sources	46,744,991	48,067,912	(1,322,921)
Federal Sources:			
4801 Federal Forest Fees	15,466	10,000	5,466
Total Federal Sources	15,466	10,000	5,466
Other Sources:			
5300 Sale of Fixed Assets	1,516	-	1,516
Total Other Sources	1,516	-	1,516
Total Revenues	\$ 73,717,704	\$ 73,606,877	\$ 110,827

OREGON CITY SCHOOL DISTRICT NO. 62**Clackamas County, Oregon****General Fund - Revenues, Expenditures, and Changes in Fund Balance - (Non GAAP Budgetary Basis)****For the Fiscal Year Ended June 30, 2017**

Expenditures	Object 100	Object 200	Object 300	Object 400	Object 500
Instruction					
1111 Elementary, K-5	\$ 8,806,484	\$ 4,719,311	\$ 63,315	\$ 208,188	\$ -
1121 Middle/Junior High Programs	4,530,638	2,324,777	43,651	134,239	-
1122 Middle/Junior High School Extracurricular	80,005	19,373	730	2,089	-
1131 High School Programs	5,887,634	2,929,820	25,221	140,625	-
1132 High School Extracurricular	282,587	62,060	43,209	17,477	-
1210 Programs for the Talented and Gifted	21,473	5,858	2,537	30,062	-
1220 Restrictive Programs for Students with Disabilities	2,440,640	1,452,792	1,947,595	15,089	-
1250 Less Restrictive Programs for Students with Disabilities	1,669,427	1,109,043	284	14,930	-
1280 Alternative Education	357,014	177,028	6,823,516	17,709	-
1290 English Second Language and Teen Parent Programs	951,453	543,964	31,207	28,304	-
Total Instruction	25,027,355	13,344,026	8,981,265	608,712	-
Support Services					
2110 Attendance and Social Work Services	167,731	104,553	6,455	5,567	-
2120 Guidance Services	1,103,427	591,846	5,375	1,409	-
2130 Health Services	185,384	99,090	171,410	8,644	-
2140 Psychological Services	284,915	109,743	16,422	23,096	-
2150 Speech Pathology and Audiology Services	839,102	400,908	69,898	3,155	-
2160 Other Student Treatment Services	135,791	73,826	6,284	6,604	-
2190 Service Direction, Student Support Services	1,145,617	596,782	266,546	9,964	-
2210 Improvement of Instruction Services	201,924	85,116	6,725	50,665	-
2220 Educational Media Services	495,119	312,981	10,676	68,244	-
2230 Assessment and Testing	27,609	23,838	-	-	-
2240 Instructional Staff Development	30,573	267,106	73,946	2,666	-
2310 Board of Education Services	27,537	16,331	78,962	12,547	-
2320 Executive Administration Services	198,607	95,925	37,315	5,255	-
2410 Office of the Principal Services	2,383,275	1,259,471	92,656	33,963	-
2510 Business Services - Direction	138,688	61,331	25,003	3,394	-
2520 Fiscal Services	455,761	220,129	58,001	10,052	-
2540 Operation and Maintenance of Plant Services	1,892,022	1,161,754	2,121,716	293,889	-
2550 Student Transportation Services	2,197,003	1,523,851	648,571	652,301	-
2570 Internal Services	108,026	69,761	92,204	1,457	12,747
2620 Planning Services	-	-	-	-	-
2630 Information Services	87,741	39,707	1,933	-	-
2640 Staff Services	247,428	109,221	26,427	48,785	-
2660 Technology Services	261,480	153,949	406,725	99,284	-
2700 Supplemental Retirement Program	178,653	5,612	-	-	-
Total Support Services	12,793,413	7,382,831	4,223,250	1,340,941	12,747
Enterprise and Community Services					
3300 Community Services and Community Education	130,280	73,908	61,293	5,910	-
3390 Community Education	359,679	116,217	22,505	47,107	-
Total Enterprise and Community Services	489,959	190,125	83,798	53,017	-
Facilities Acquisition and Construction					
4150 Building Acquisition, Construction, and Improvement Services	-	-	-	167	-
Total Facilities Acquisition and Construction	-	-	-	167	-
Other Uses					
5200 Transfers of Funds	210,000	-	-	-	-
Total Other Uses	210,000	-	-	-	-
Contingency					
6000 Operating Contingency	-	-	-	-	-
Total Contingency	-	-	-	-	-
Total Expenditures	\$ 38,520,727	\$ 20,916,982	\$ 13,288,313	\$ 2,002,837	\$ 12,747
Changes in Fund Balance					
Excess (deficiency) of revenues over (under) expenditures					
Adjust for prior year and current year encumbrances					
Net Change in Fund Balance					
Beginning Fund Balance					
Ending Fund Balance					

Object 600	Object 700	Object 800	Total	Final Budgeted Amount	Variance with Final Budget
\$ -	\$ -	\$ -	\$ 13,797,298	\$ 14,405,068	\$ 607,770
-	-	-	7,033,305	7,029,434	(3,871)
-	-	-	102,197	89,755	(12,442)
425	-	-	8,983,725	8,808,977	(174,748)
3,868	-	-	409,201	421,085	11,884
-	-	-	59,930	59,545	(385)
-	-	-	5,856,116	6,412,111	555,995
-	-	-	2,793,684	3,183,358	389,674
-	-	-	7,375,267	7,510,243	134,976
-	-	-	1,554,928	1,750,200	195,272
4,293	-	-	47,965,651	49,669,776	1,704,125
-	-	-	284,306	194,179	(90,127)
5,712	-	-	1,707,769	1,728,366	20,597
265	-	-	464,793	491,645	26,852
-	-	-	434,176	481,475	47,299
-	-	-	1,313,063	1,193,179	(119,884)
-	-	-	222,505	256,034	33,529
1,785	-	-	2,020,694	1,679,866	(340,828)
1,058	-	-	345,488	351,289	5,801
362	-	-	887,382	938,580	51,198
-	-	-	51,447	51,528	81
-	-	-	374,291	379,464	5,173
10,313	-	-	145,690	169,174	23,484
14,980	-	-	352,082	368,109	16,027
16,373	-	-	3,785,738	3,883,723	97,985
1,055	-	-	229,471	288,470	58,999
3,108	-	-	747,051	753,181	6,130
7,354	-	-	5,476,735	5,798,877	322,142
99,145	-	-	5,120,871	4,667,440	(453,431)
222,124	-	-	506,319	407,660	(98,659)
-	-	-	-	10,187	10,187
798	-	-	130,179	145,178	14,999
1,110	-	-	432,971	405,283	(27,688)
18,198	-	-	939,636	1,272,792	333,156
-	-	-	184,265	279,890	95,625
403,740	-	-	26,156,922	26,195,569	38,647
880	-	-	272,271	203,477	(68,794)
545	-	-	546,053	657,645	111,592
1,425	-	-	818,324	861,122	42,798
-	-	-	167	10,410	10,243
-	-	-	167	10,410	10,243
-	-	-	210,000	210,000	-
-	-	-	210,000	210,000	-
-	-	-	-	160,000	160,000
-	-	-	-	160,000	160,000
\$ 409,458	\$ -	\$ -	\$ 75,151,064	\$ 77,106,877	\$ 1,955,813
			\$ (1,433,360)	\$ (3,500,000)	\$ 2,066,640
			(288,085)		(288,085)
			(1,721,445)	(3,500,000)	1,778,555
			4,816,838	3,500,000	1,316,838
			3,095,393	-	3,095,393

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

DEBT SERVICE FUND 300

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Local sources				
Current year's taxes	\$ 6,850,000	\$ 6,850,000	\$ 6,877,585	\$ 27,585
Prior year's taxes	131,250	131,250	109,082	(22,168)
Interest	45,925	45,925	62,061	16,136
	<u>7,027,175</u>	<u>7,027,175</u>	<u>7,048,728</u>	<u>21,553</u>
Total revenues				
EXPENDITURES:				
Debt service	<u>7,240,621</u>	<u>7,240,621</u>	<u>7,042,989</u>	<u>197,632</u>
Total expenditures	<u>7,240,621</u>	<u>7,240,621</u>	<u>7,042,989</u>	<u>197,632</u>
Net change in fund balance	(213,446)	(213,446)	5,739	219,185
Beginning fund balance	<u>490,000</u>	<u>490,000</u>	<u>778,356</u>	<u>288,356</u>
Ending fund balance	<u>\$ 276,554</u>	<u>\$ 276,554</u>	<u>\$ 784,095</u>	<u>\$ 507,541</u>

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

PENSION OBLIGATION BONDS FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Local sources:				
Assessments to other funds	<u>\$ 3,776,430</u>	<u>\$ 3,776,430</u>	<u>\$ 3,815,805</u>	<u>\$ 39,375</u>
Total revenues	<u>3,776,430</u>	<u>3,776,430</u>	<u>3,815,805</u>	<u>39,375</u>
EXPENDITURES				
Debt service	<u>3,826,430</u>	<u>3,826,430</u>	<u>3,815,805</u>	<u>10,625</u>
Total expenditures	<u>3,826,430</u>	<u>3,826,430</u>	<u>3,815,805</u>	<u>10,625</u>
Net change in fund balance	(50,000)	(50,000)	-	50,000
Beginning fund balance	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Ending fund balance	<u><u>\$ 100,000</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 150,000</u></u>	<u><u>\$ 50,000</u></u>

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

CAPITAL PROJECTS FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Local sources	\$ 665,017	\$ 665,017	\$ 1,009,372	\$ 344,355
State sources	100,000	100,000	644,623	544,623
	<u>765,017</u>	<u>765,017</u>	<u>1,653,995</u>	<u>888,978</u>
Total revenues				
EXPENDITURES:				
Instruction	174,000	24,000	11,422	12,578
Support services	1,058,000	658,000	481,861	176,139
Facilities acquisition & construction	1,260,131	1,810,131	1,523,072	287,059
Debt service	1,247,759	1,247,759	1,142,174	105,585
Contingency	121,000	121,000	-	121,000
	<u>3,860,890</u>	<u>3,860,890</u>	<u>3,158,529</u>	<u>702,361</u>
Total expenditures				
Excess of revenues over (under) expenditures	(3,095,873)	(3,095,873)	(1,504,534)	1,591,339
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	149,505	149,505
Transfers out	(114,000)	(114,000)	(114,000)	-
	<u>(114,000)</u>	<u>(114,000)</u>	<u>35,505</u>	<u>149,505</u>
Total other financing sources (uses)				
Net change in fund balance	(3,209,873)	(3,209,873)	(1,469,029)	1,740,844
Beginning fund balance	5,984,238	5,984,238	2,848,217	(3,136,021)
Ending fund balance	<u>\$ 2,774,365</u>	<u>\$ 2,774,365</u>	<u>\$ 1,379,188</u>	<u>\$ (1,395,177)</u>

PROPRIETARY FUND

The Proprietary Fund accounts for revenue and expenditures for the Risk Management Internal Service Fund. This fund accounts for revenue and expenditures for the District's self-insurance program for unemployment, workers' compensation and property and casualty insurance claims. The primary revenue source is charges for services provided to other funds.

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2017**

RISK MANAGEMENT INTERNAL SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Local sources	\$ 578,500	\$ 578,500	\$ 628,457	\$ 49,957
Total revenues	578,500	578,500	628,457	49,957
EXPENDITURES:				
Support services	728,500	908,500	699,899	208,601
Facilities acquisition & construction	125,000	25,000	-	25,000
Total expenditures	853,500	933,500	699,899	233,601
Excess of revenues over (under) expenditures	(275,000)	(355,000)	(71,442)	283,558
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	50,000	50,000
Total other financing sources (uses)	-	-	50,000	50,000
Net change in fund balance	(275,000)	(355,000)	(21,442)	333,558
Beginning fund balance	275,000	355,000	418,586	63,586
Ending fund balance	\$ -	\$ -	\$ 397,144	\$ 397,144

FIDUCIARY FUNDS

The Fiduciary Funds account for the revenues and expenditures of funds for which assets are held by the District as a trustee or agent. Included in this type fund are:

MEGGAN PARKINSON MEMORIAL SCHOLARSHIP FUND - Funds scholarships for deserving students.

DENNY PETERS MEMORIAL SCHOLARSHIP FUND - Funds scholarships for deserving students.

CLASS OF '52 SCHOLARSHIP FUND - Funds scholarships for deserving students.

KARMIN TOMLINSON SCHOLARSHIP FUND - Funds scholarships for deserving students.

JANE ADRIAN MEMORIAL SCHOLARSHIP FUND - Funds scholarships for deserving students.

AL GALLAGHER MEMORIAL SCHOLARSHIP FUND - Funds scholarships for deserving students.

OCHS SCHOLARSHIPS FUND - Funds scholarships for deserving students.

CJ CHURCH EDUCATIONAL FUND - Funds educational needs in memory of CJ Church.

LANGE/BUSH-LANGE SCHOLARSHIPS FUND - Funds scholarships for deserving students.

DELEEN BAKER MEMORIAL - Funds charitable activities in memory of Deleen Baker.

ALICE BAUGHMAN SCHOLARSHIP FUND - Funds scholarships for deserving students.

OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON

COMBINING BALANCE SHEET
ALL AGENCY FUNDS
June 30, 2017

	M. Parkinson Memorial	D. Peters Memorial	Class of '52 Scholarshi p	Karmin Tomlinson Scholarshi p	J. Adrian Memorial	A. Gallagher Memorial	OCHS Scholarshi ps	CJ Church Education al Fund	Lange/Bu sh-Lange Scholarshi ps	Deleen Baker Memorial	Baughma n Scholarshi ps	Total
<u>ASSETS</u>												
Receivables Interfund	\$ 19,602	\$ 5,217	\$ 35,373	\$ 4,321	\$ 27,075	\$ 24,111	\$ 5,443	\$ 4,092	\$ 8,530	\$ 1,941	\$ 89,931	\$ 225,636
Total assets	<u>\$ 19,602</u>	<u>\$ 5,217</u>	<u>\$ 35,373</u>	<u>\$ 4,321</u>	<u>\$ 27,075</u>	<u>\$ 24,111</u>	<u>\$ 5,443</u>	<u>\$ 4,092</u>	<u>\$ 8,530</u>	<u>\$ 1,941</u>	<u>\$ 89,931</u>	<u>\$ 225,636</u>
<u>LIABILITIES</u>												
Due to agency groups	\$ 19,602	\$ 5,217	\$ 35,373	\$ 4,321	\$ 27,075	\$ 24,111	\$ 5,443	\$ 4,092	\$ 8,530	\$ 1,941	\$ 89,931	\$ 225,636
Total liabilities	<u>\$ 19,602</u>	<u>\$ 5,217</u>	<u>\$ 35,373</u>	<u>\$ 4,321</u>	<u>\$ 27,075</u>	<u>\$ 24,111</u>	<u>\$ 5,443</u>	<u>\$ 4,092</u>	<u>\$ 8,530</u>	<u>\$ 1,941</u>	<u>\$ 89,931</u>	<u>\$ 225,636</u>

**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2017**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
M. Parkinson Memorial Agency Fund				
Assets:				
Receivables:				
Interfund	\$ 20,437	\$ 165	\$ (1,000)	\$ 19,602
Liabilities				
Due to agency groups	\$ 20,437	\$ 165	\$ (1,000)	\$ 19,602
D. Peters Memorial Agency Fund				
Assets:				
Receivables:				
Interfund	\$ 6,189	\$ 28	\$ (1,000)	\$ 5,217
Liabilities				
Due to agency groups	\$ 6,189	\$ 28	\$ (1,000)	\$ 5,217
Class of '52 Scholarship Agency Fund				
Assets:				
Receivables:				
Interfund	\$ 40,183	\$ 190	\$ (5,000)	\$ 35,373
Liabilities				
Due to agency groups	\$ 40,183	\$ 190	\$ (5,000)	\$ 35,373
Karmin Tomlinson Scholarship Fund				
Assets:				
Receivables:				
Interfund	\$ 6,164	\$ 157	\$ (2,000)	\$ 4,321
Liabilities				
Due to agency groups	\$ 6,164	\$ 157	\$ (2,000)	\$ 4,321
J. Adrian Memorial Agency Fund				
Assets:				
Receivables:				
Interfund	\$ 28,930	\$ 145	\$ (2,000)	\$ 27,075
Liabilities				
Due to agency groups	\$ 28,930	\$ 145	\$ (2,000)	\$ 27,075
A. Gallagher Memorial Agency Fund				
Assets:				
Receivables:				
Interfund	\$ 24,481	\$ 130	\$ (500)	\$ 24,111
Liabilities				
Due to agency groups	\$ 24,481	\$ 130	\$ (500)	\$ 24,111

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**OREGON CITY SCHOOL DISTRICT NO. 62
CLACKAMAS COUNTY, OREGON**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2017**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
OCHS Scholarships Fund				
Assets:				
Receivables:				
Interfund	\$ 5,414	\$ 29	\$ -	\$ 5,443
Liabilities				
Due to agency groups	\$ 5,414	\$ 29	\$ -	\$ 5,443
CJ Church Educational Fund				
Assets:				
Receivables:				
Interfund	\$ 4,010	\$ 82	\$ -	\$ 4,092
Liabilities				
Due to agency groups	\$ 4,010	\$ 82	\$ -	\$ 4,092
Lange/Bush-Lange Scholarships Fund				
Assets:				
Receivables:				
Interfund	\$ 13,484	\$ 46	\$ (5,000)	\$ 8,530
Liabilities				
Due to agency groups	\$ 13,484	\$ 46	\$ (5,000)	\$ 8,530
Deleen Baker Memorial Fund				
Assets:				
Receivables:				
Interfund	\$ 1,663	\$ 278	\$ -	\$ 1,941
Liabilities				
Due to agency groups	\$ 1,663	\$ 278	\$ -	\$ 1,941
Baughman Scholarships Fund				
Assets:				
Receivables:				
Interfund	\$ 94,448	\$ 483	\$ (5,000)	\$ 89,931
Liabilities				
Due to agency groups	\$ 94,448	\$ 483	\$ (5,000)	\$ 89,931
Totals - All Funds				
Assets:				
Receivables:				
Interfund	\$ 245,403	\$ 1,733	\$ (21,500)	\$ 225,636
Liabilities				
Due to agency groups	\$ 245,403	\$ 1,733	\$ (21,500)	\$ 225,636

OREGON CITY SCHOOL DISTRICT NO. 62
 Clackamas County, Oregon
 Schedule of Property Tax Transactions for Taxes Levied by the District
 General Fund
 For the Fiscal Year Ended June 30, 2017

<u>Tax Roll Year</u>	<u>Original Levy or Balance Uncollected</u>	<u>Deduct Discounts</u>	<u>Adjustment to Tax Roll</u>	<u>Add Interest</u>	<u>Cash Collections By County</u>	<u>Taxes Uncollected June 30, 2017</u>
Current:						
2016-2017	<u>\$ 25,199,914</u>	<u>\$ 653,088</u>	<u>\$ (58,847)</u>	<u>\$ 10,796</u>	<u>\$ 24,017,440</u>	<u>\$ 481,335</u>
Prior Years:						
2016-2017	526,731	(146)	(27,038)	20,690	240,412	280,117
2015-2016	284,184	(64)	(20,603)	18,033	83,495	198,183
2013-2014	184,358	(49)	(21,951)	19,230	55,145	126,541
2012-2013	116,929	(1)	(9,106)	9,329	22,820	94,333
2011-2012& Prior	<u>260,090</u>	<u>(139)</u>	<u>(12,670)</u>	<u>2,799</u>	<u>6,632</u>	<u>243,726</u>
Total Prior	<u>1,372,292</u>	<u>(399)</u>	<u>(91,368)</u>	<u>70,081</u>	<u>408,504</u>	<u>942,900</u>
Total	<u>\$ 26,572,206</u>	<u>\$ 652,689</u>	<u>\$ (150,215)</u>	<u>\$ 80,877</u>	<u>\$ 24,425,944</u>	<u>\$ 1,424,235</u>

Reconciliation to Revenue Statements

	<u>General Fund</u>
Current tax collected through June 30, 2017	\$ 24,425,944
Accrual of Receivables	
June 30, 2016	(52,122)
June 30, 2017	54,748
Taxes, (Adjustments) in Lieu, penalties and interest	<u>87,535</u>
Total Revenue	<u>\$ 24,516,105</u>

OREGON CITY SCHOOL DISTRICT NO. 62
 Clackamas County, Oregon
 Schedule of Property Tax Transactions for Taxes Levied by the District
 Debt Service Fund
 For the Fiscal Year Ended June 30, 2017

<u>Tax Roll Year</u>	<u>Original Levy or Balance Uncollected</u>	<u>Deduct Discounts</u>	<u>Adjustment to Tax Roll</u>	<u>Add Interest</u>	<u>Cash Collections By County</u>	<u>Taxes Uncollected June 30, 2016</u>
Current:						
2015-2016	\$ 7,206,382	\$ 186,763	\$ (16,828)	\$ 3,087	\$ 6,868,232	\$ 137,646
Prior Years:						
2016-2017	156,630	(43)	(8,040)	6,152	71,490	83,295
2015-2016	84,506	(19)	(6,126)	5,362	24,828	58,933
2013-2014	56,487	(15)	(6,877)	5,874	16,845	38,654
2012-2013	34,989	-	(1,952)	2,859	6,992	28,904
2011-2012& Prior	76,326	(43)	1,054	875	2,073	76,225
Total Prior	408,938	(120)	(21,941)	21,122	122,228	286,011
Total	<u>\$ 7,615,320</u>	<u>\$ 186,643</u>	<u>\$ (38,769)</u>	<u>\$ 24,209</u>	<u>\$ 6,990,460</u>	<u>\$ 423,657</u>

Reconciliation to Revenue Statements

	<u>Debt Fund</u>
Current tax collected through June 30, 2016	\$ 6,990,460
Accrual of Receivables	
June 30, 2015	(22,214)
June 30, 2016	16,057
Taxes, (Adjustments) in Lieu, penalties and interest	<u>2,364</u>
Total Revenue	<u>\$ 6,986,667</u>

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Schedule of Appropriation Transfers

For the Fiscal Year Ended June 30, 2017

	Adopted Budgeted Appropriations	Increase	Decrease	Final Adopted Appropriations
<u>General Fund</u>				
Instruction	\$ 49,319,776	\$ 350,000	\$	\$ 49,669,776
Support services	26,695,569	-	(500,000)	26,195,569
Enterprise/community services	711,122	150,000	-	861,122
Facilities acquisition/construction	10,410	-	-	10,410
Transfer of Funds	210,000	-	-	210,000
Contingency	160,000	-	-	160,000
	<u>\$ 77,106,877</u>	<u>\$ 500,000</u>	<u>\$ (500,000)</u>	<u>\$ 77,106,877</u>
<u>Special Revenue Funds</u>				
Instruction	\$ 6,782,210	\$ 180,000	\$ -	\$ 6,962,210
Support services	4,032,742	15,087	-	4,047,829
Enterprise/community services	4,059,816	-	-	4,059,816
Facilities acquisition/construction	10,300	-	-	10,300
Debt Service	605,220	-	-	605,220
Contingency	550,000	-	-	550,000
Unappropriated fund balance	1,406,707	-	-	1,406,707
	<u>\$ 17,446,995</u>	<u>\$ 195,087.00</u>	<u>\$ -</u>	<u>\$ 17,642,082</u>
<u>Debt Service Fund</u>				
Debt service	\$ 7,240,621	\$ -	\$ -	\$ 7,240,621
Unappropriated fund balance	276,554	-	-	276,554
	<u>\$ 7,517,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,517,175</u>
<u>PERS UAL Debt Service Fund</u>				
Debt service	\$ 3,826,430	\$ -	\$ -	\$ 3,826,430
Unappropriated fund balance	100,000	-	-	100,000
	<u>\$ 3,926,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,926,430</u>
<u>Capital Projects Funds</u>				
Instruction	\$ 174,000	\$ -	\$ (150,000)	\$ 24,000
Support services	1,058,000	-	(400,000)	658,000
Facilities acquisition/construction	1,260,131	550,000	-	1,810,131
Debt Service	1,247,759	-	-	1,247,759
Transfer of Funds	114,000	-	-	114,000
Contingency	121,000	-	-	121,000
Unappropriated fund balance	2,774,365	-	-	2,774,365
	<u>\$ 6,749,255</u>	<u>\$ 550,000.00</u>	<u>\$ (550,000.00)</u>	<u>\$ 6,749,255</u>
<u>Internal Service Fund</u>				
Support services	728,500	\$ 180,000	\$ -	908,500
Facilities acquisition/construction	125,000	-	(100,000)	25,000
	<u>\$ 853,500</u>	<u>\$ 180,000.00</u>	<u>\$ (100,000.00)</u>	<u>\$ 933,500</u>
<u>Trust and Agency Funds</u>				
Instruction	\$ 2,637,410	\$ -	\$ (30,000)	\$ 2,607,410
Support services	827,673	-	-	827,673
Enterprise/community services	30,890	-	-	30,890
Debt Service	0	30,000	-	30,000
Unappropriated fund balance	262,470	-	-	262,470
	<u>\$ 3,758,443</u>	<u>\$ 30,000.00</u>	<u>\$ (30,000.00)</u>	<u>\$ 3,758,443</u>
Total all funds	<u>\$ 117,358,675</u>	<u>\$ 1,455,087</u>	<u>\$ (1,180,000)</u>	<u>\$ 117,633,762</u>

STATISTICAL SECTION

(UNAUDITED)

This part of Oregon City School District No. 62's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>CONTENTS</u>	<u>PAGE</u>
Financial Trends	86-93
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	94-100
These schedules contain information to help the reader assess the District's most significant local revenue source, property tax.	
Debt Capacity	101-105
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	106-107
These schedules offer economic and demographic indicators to help the reader Understand the environment within which the District's financial activities take place.	
Operating Activity	108-122
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2016-17</u>	<u>2015-16 (2)</u>	<u>2014-15 (1)</u>	<u>2013-14</u>
<u>GOVERNMENTAL ACTIVITIES:</u>				
Net investment in capital assets	\$ 45,454,976	\$ 39,725,603	\$ 23,945,932	\$ 34,225,425
Restricted	5,058,652	5,732,847	16,984,465	2,877,749
Unrestricted	(69,460,270)	(60,253,561)	(34,975,848)	(15,712,372)
Total governmental activities net position	<u>\$ (18,946,642)</u>	<u>\$ (14,795,111)</u>	<u>\$ 5,954,549</u>	<u>\$ 21,390,802</u>

(1) The District made a prior period adjustment of (21,973,633) associated with recognition of its net pension liability under GASB No. 68

(2) The District restated its net position by (261,670) associated with recognition of its early retirement pension liability under GASB No. 73

Source: Statement of Net Positions

<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
\$ 27,896,841	\$ 27,984,659	\$ 26,283,206	\$ 24,811,323	\$ 21,370,613	\$ 20,450,003
4,098,938	3,595,900	799,765	897,483	807,496	724,385
(12,596,452)	(13,703,324)	(9,969,659)	(7,173,762)	(3,993,052)	97,668
<u>\$ 19,399,327</u>	<u>\$ 17,877,235</u>	<u>\$ 17,113,312</u>	<u>\$ 18,535,044</u>	<u>\$ 18,185,057</u>	<u>\$ 21,272,056</u>

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Expenses by Function, Revenues by Source, and Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
GOVERNMENTAL ACTIVITIES:				
Expenses by function/program:				
Instruction	\$ 57,456,828	\$ 67,230,267	\$ 43,713,441	\$ 46,757,925
Support services	32,250,044	38,686,480	26,780,628	27,943,762
Enterprise/community services	4,477,126	5,230,631	3,476,224	3,538,931
Interest on long-term debt	3,632,281	3,838,072	3,710,183	3,254,871
Total expenses	<u>97,816,279</u>	<u>114,985,450</u>	<u>77,680,476</u>	<u>81,495,489</u>
Program revenues:				
Charges for services:				
Instruction	388,208	348,001	303,620	284,124
Support services	1,713,318	1,806,615	537,412	632,299
Enterprise/community services	658,489	654,650	2,008,475	1,794,340
Total charges for services	<u>2,760,015</u>	<u>2,809,266</u>	<u>2,849,507</u>	<u>2,710,763</u>
Operating grants and contributions:				
Instruction	3,692,901	3,816,082	6,162,921	5,760,457
Support services	-	44,025	5,206,376	5,017,245
Enterprise/community services	1,449,510	1,597,311	1,560,499	1,521,520
Total operating grants and contributions	<u>5,142,411</u>	<u>5,457,418</u>	<u>12,929,796</u>	<u>12,299,222</u>
Capital grants and contributions:				
Instruction	-	-	242,035	-
Support services	-	27,154	-	316,591
Total capital grants and contributions	<u>-</u>	<u>27,154</u>	<u>242,035</u>	<u>316,591</u>
Total program revenues	<u>7,902,426</u>	<u>8,293,838</u>	<u>16,021,338</u>	<u>15,326,576</u>
Total net (expense) revenue	<u>(89,913,853)</u>	<u>(106,691,612)</u>	<u>(61,659,138)</u>	<u>(66,168,913)</u>
General revenues and other changes in net position:				
Taxes:				
Property taxes, general	24,479,596	23,397,860	22,324,026	20,829,803
Property taxes, debt services	6,986,667	6,931,521	6,714,742	6,342,154
Construction excise tax	621,544	583,471	396,735	451,324
State aid - formula grants	47,774,072	48,892,808	43,398,060	39,995,170
Other general revenues	-	-	343,331	280,065
Gain on sale of capital assets	-	-	2,709,696	104,151
Unrestricted investment earnings	-	-	192,752	164,186
Earnings on Investments	330,730	214,003	-	-
Unrestricted federal	181,064	76,413	-	-
Other local & Intermediate	5,388,649	6,113,046	-	-
Total general revenues	<u>85,762,322</u>	<u>86,209,122</u>	<u>76,079,342</u>	<u>68,166,853</u>
Change in net position	<u>\$ (4,151,531)</u>	<u>\$ (20,482,490)</u>	<u>\$ 14,420,204</u>	<u>\$ 1,997,940</u>
Expense per pupil	<u>\$ 13,174</u>	<u>\$ 15,260</u>	<u>\$ 10,424</u>	<u>\$ 10,885</u>
Student Enrollment *	<u>7,425</u>	<u>7,535</u>	<u>7,452</u>	<u>7,487</u>

* Does not include Charter School Enrollment

Source: Statement of Activities

2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
\$ 44,384,650	\$ 42,557,434	\$ 43,103,298	\$ 41,806,594	\$ 43,880,494	\$ 44,389,428
26,918,301	26,795,494	27,781,017	27,266,029	29,473,379	28,577,301
3,446,191	3,450,242	3,362,655	3,187,940	3,217,607	3,040,096
2,582,842	4,470,247	4,608,681	4,761,480	4,906,101	5,028,145
77,331,984	77,273,417	78,855,651	77,022,043	81,477,581	81,034,970
305,089	307,823	631,902	249,036	197,467	342,895
677,178	570,537	557,764	604,886	477,097	424,997
1,837,185	1,782,912	1,529,445	1,792,960	1,785,618	1,914,041
2,819,452	2,661,272	2,719,111	2,646,882	2,460,182	2,681,933
5,240,963	5,458,139	8,602,811	7,703,414	7,637,631	5,339,571
5,050,752	6,690,516	5,490,616	5,073,258	6,291,910	5,841,310
1,638,140	1,455,824	1,548,040	1,431,787	1,218,997	1,087,175
11,929,855	13,604,479	15,641,467	14,208,459	15,148,538	12,268,056
-	-	-	-	-	-
177,351	166,175	137,279	128,068	182,018	130,304
177,351	166,175	137,279	128,068	182,018	130,304
14,926,658	16,431,926	18,497,857	16,983,409	17,790,738	15,080,293
(62,405,326)	(60,841,491)	(60,357,794)	(60,038,634)	(63,686,843)	(65,954,677)
19,832,045	20,107,620	19,439,103	19,104,013	18,350,667	17,438,732
6,190,437	5,933,815	5,682,080	5,664,178	5,610,930	5,565,973
633,158	412,736	267,885	276,690	248,976	128,629
36,539,574	34,712,623	32,850,497	34,759,839	35,518,740	38,389,390
324,089	310,064	353,447	335,114	274,530	631,816
274,984	5,859	11,873	-	7,430	-
133,131	122,697	258,368	248,787	588,571	1,250,401
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
63,927,418	61,605,414	58,863,253	60,388,621	60,599,844	63,404,941
\$ 1,522,092	\$ 763,923	\$ (1,494,541)	\$ 349,987	\$ (3,086,999)	\$ (2,549,736)
\$ 10,469	\$ 10,304	\$ 10,432	\$ 10,144	\$ 10,538	\$ 10,370
7,387	7,499	7,559	7,593	7,732	7,814

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
<u>GENERAL FUND:</u>				
Nonspendable - prepaid items	\$ 143,419	\$ 154,337	\$ 72,819	\$ 36,269
Assigned, encumbrances	-	-	-	115,347
Unassigned	2,951,974	4,662,501	3,971,794	3,301,186
Total general fund	<u>\$ 3,095,393</u>	<u>\$ 4,816,838</u>	<u>\$ 4,044,613</u>	<u>\$ 3,452,802</u>
<u>ALL OTHER GOVERNMENTAL FUNDS</u>				
Nonspendable - prepaid items	\$ -	\$ -	\$ 39,601	\$ 49,623
Restricted, reported in:				
Debt Service Fund	934,095	928,356	778,012	641,630
Special Revenues Fund	2,337,769	1,569,550	902,995	860,504
Capital Projects Fund	1,379,188	2,848,217	14,933,568	1,375,615
Committed, special revenues	-	496,895	866,581	789,365
Assigned, reported in:				
Special Revenues Fund	-	-	345,994	513,226
Capital Projects Fund	-	-	-	4,022
Total all other governmental funds	<u>\$ 4,651,052</u>	<u>\$ 5,843,018</u>	<u>\$ 17,866,751</u>	<u>\$ 4,233,985</u>

(1) The District implemented a new fund balance classification policy in 2011-12.

Source: Balance Sheet - Governmental Funds

<u>2012-13</u>	<u>2011-12 (1)</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
\$ 56,486	\$ -	\$ -	\$ -	\$ -	\$ -
50,396	225,949	203,542	139,595	294,954	285,783
2,950,821	4,528,204	4,755,345	5,489,780	4,252,698	5,072,020
<u>\$ 3,057,703</u>	<u>\$ 4,754,153</u>	<u>\$ 4,958,887</u>	<u>\$ 5,629,375</u>	<u>\$ 4,547,652</u>	<u>\$ 5,357,803</u>
\$ 49,623	\$ -	\$ -	\$ -	\$ -	\$ -
655,429	645,629	799,765	897,483	807,496	724,385
1,491,442	1,572,859	-	-	-	-
1,952,067	1,377,412	-	-	-	-
860,357	863,945	-	-	-	-
125,974	111,485	2,239,110	2,142,265	2,357,617	3,460,416
297,471	188,191	1,091,108	1,334,526	1,109,901	1,175,301
<u>\$ 5,432,363</u>	<u>\$ 4,759,521</u>	<u>\$ 4,129,983</u>	<u>\$ 4,374,274</u>	<u>\$ 4,275,014</u>	<u>\$ 5,360,102</u>

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
<u>REVENUES:</u>				
Local Sources	\$ 42,175,354	\$ 41,009,126	\$ 38,677,209	\$ 36,653,166
Intermediate sources	2,189,567	2,134,356	1,181,721	828,710
State sources	47,264,401	49,017,229	47,821,761	43,984,779
Federal sources	5,151,065	5,190,449	5,218,128	5,469,034
Total revenues	<u>96,780,387</u>	<u>97,351,160</u>	<u>92,898,819</u>	<u>86,935,689</u>
<u>EXPENDITURES:</u>				
Instruction	52,875,550	53,175,892	51,931,499	48,682,017
Support services	28,864,132	27,804,745	27,103,088	25,085,779
Enterprise/community services	4,120,146	4,137,176	3,942,353	3,687,663
Facilities Acquisition and Construction	185,148	223,820	979,299	1,262,618
Capital Outlay	1,654,770	11,883,516	-	-
Debt service	12,542,459	12,100,898	11,802,845	10,521,521
Total expenditures	<u>100,242,205</u>	<u>109,326,047</u>	<u>95,759,084</u>	<u>89,239,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,461,818)</u>	<u>(11,974,887)</u>	<u>(2,860,265)</u>	<u>(2,303,909)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	274,000	55,000	380,000	305,931
Transfers out	(324,000)	(55,000)	(130,000)	(55,931)
Lease purchase proceeds	-	-	-	-
Lease purchase discount	-	-	-	-
Capital lease issuance	149,505	187,179	-	100,081
Debt issued	447,386	525,000	16,140,000	1,023,500
Refunding bonds issued	-	-	-	-
Bond premium	-	-	1,865,440	-
Payment to refunded bond escrow agent	-	-	(3,849,091)	-
Discount of bonds issued	-	-	-	-
Sale or compensation for loss of capital assets	1,516	11,200	2,328,523	127,049
Total other financing sources (uses)	<u>548,407</u>	<u>723,379</u>	<u>16,734,872</u>	<u>1,500,630</u>
Net change in fund balances	<u>\$ (2,913,411)</u>	<u>\$ (11,251,508)</u>	<u>\$ 13,874,607</u>	<u>\$ (803,279)</u>
Debt service as a percentage of noncapital expenditures	12.72%	12.42%	12.30%	11.55%

(1) Revenues are recognized when measurable and available.

Source: Statement of revenues, expenditures, and changes in fund balances.

2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
\$ 35,786,302	\$ 35,008,931	\$ 34,304,640	\$ 33,560,661	\$ 32,331,426	\$ 32,441,991
846,596	847,393	662,339	843,915	877,325	931,769
40,558,979	40,103,029	36,252,703	38,265,708	41,319,801	42,889,873
4,782,018	5,048,555	9,404,216	7,697,437	6,273,808	4,636,189
<u>81,973,895</u>	<u>81,007,908</u>	<u>80,623,898</u>	<u>80,367,721</u>	<u>80,802,360</u>	<u>80,899,822</u>
46,266,745	44,221,832	44,677,612	43,261,082	45,619,040	46,029,505
24,265,950	23,776,295	24,541,277	24,543,754	25,657,642	25,500,238
3,611,575	3,535,801	3,432,733	3,233,483	3,351,019	3,117,523
4,462,017	25,255	-	7,269	-	83,875
-	-	-	-	-	-
10,005,901	9,466,780	9,386,367	8,946,996	8,507,226	8,163,080
<u>88,612,188</u>	<u>81,025,963</u>	<u>82,037,989</u>	<u>79,992,584</u>	<u>83,134,927</u>	<u>82,894,221</u>
<u>(6,638,293)</u>	<u>(18,055)</u>	<u>(1,414,091)</u>	<u>375,137</u>	<u>(2,332,567)</u>	<u>(1,994,399)</u>
85,000	254,228	-	267,600	1,498,557	682,314
(85,000)	(254,228)	-	(267,600)	(1,498,557)	(682,314)
-	-	134,264	450,000	438,000	-
-	-	-	-	(8,102)	-
-	-	-	-	-	-
5,150,000	437,000	353,175	355,846	-	-
39,130,000	-	-	-	-	-
-	-	-	-	-	-
(38,851,900)	-	-	-	-	-
(188,215)	-	-	-	-	-
374,800	5,859	11,873	-	7,430	-
<u>5,614,685</u>	<u>442,859</u>	<u>499,312</u>	<u>805,846</u>	<u>437,328</u>	<u>0</u>
<u>\$ (1,023,608)</u>	<u>\$ 424,804</u>	<u>\$ (914,779)</u>	<u>\$ 1,180,983</u>	<u>\$ (1,895,239)</u>	<u>\$ (1,994,399)</u>
10.66%	11.75%	11.51%	11.32%	10.29%	9.90%

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Assessed and Real Market Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Public Utility Property	
	Assessed Value	Real Market Value	Assessed Value	Real Market Value	Assessed Value	Real Market Value
2016-17	\$ 5,254,504,810	\$ 7,954,596,436	\$ 65,851,777	\$ 65,851,777	\$ 176,086,464	\$ 181,091,828
2015-16	5,029,011,342	7,146,082,606	63,809,209	63,809,209	161,786,400	165,386,669
2014-15	4,806,137,457	6,289,133,878	60,077,937	60,077,937	165,718,700	183,892,863
2013-14	4,620,661,826	5,641,761,240	82,085,569	84,515,202	156,363,062	166,539,536
2012-13	4,397,895,265	4,753,742,311	82,719,705	87,572,178	153,852,330	166,749,524
2011-12	4,117,592,121	5,007,487,205	87,905,069	90,030,984	160,188,640	164,479,601
2010-11	3,997,471,087	5,398,376,301	93,391,799	95,693,560	152,371,380	153,214,264
2009-10	3,851,415,043	5,975,204,950	95,587,980	98,398,120	148,986,830	149,311,207
2008-09	3,694,950,859	6,572,232,712	109,079,896	111,992,587	127,120,900	128,351,903
2007-08	3,498,123,316	6,367,015,976	106,011,981	107,739,886	127,485,800	134,719,537

Note: Future increases in assessed value on each property are limited by Oregon laws to 3% per year with special exemptions for property that is improved, rezoned, subdivided, or ceases to qualify for exemption.

(1) Urban renewal excess.

Source: Clackamas County Department of Assessment and Taxation

Exemptions Real Property (1)	Total		Real Market Value	Ratio of Total Assessed Value to Total Real Market Value
	Assessed Value	Direct Tax Rate		
\$ (156,270,734)	\$ 5,340,172,317	6.34	\$ 8,201,540,041	65.11 %
(141,800,109)	5,112,806,842	6.39	7,375,278,484	69.32
(129,428,600)	4,902,505,494	6.41	6,533,104,678	75.04
(128,168,327)	4,730,942,130	6.40	5,892,815,978	80.28
(122,583,947)	4,511,883,353	6.41	5,008,064,013	90.09
(107,990,588)	4,257,695,242	6.38	5,261,997,790	80.91
(109,317,145)	4,133,917,121	6.37	5,647,284,125	73.20
(99,393,379)	3,996,596,474	6.42	6,222,914,277	64.22
(95,975,156)	3,835,176,499	6.45	6,812,577,202	56.30
(89,175,389)	3,642,445,708	6.52	6,609,475,399	55.11

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Property Tax Rates - All Overlapping Governments
Last Ten Fiscal Years

<u>Governmental Unit</u>	<u>Percent Within School District</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
District Direct Rates:					
Operating	n/a %	\$ 4.96	4.96	\$ 4.96	\$ 4.96
Debt Service	n/a	<u>1.38</u>	<u>1.43</u>	<u>1.45</u>	<u>1.44</u>
Total District Direct Rates	n/a	6.34	6.39	6.41	6.40
City of Oregon City	100.00	5.50	4.52	4.52	4.52
City of Oregon City - Urban Renewal	100.00	0.86	0.00	0.84	0.84
Clackamas FD 1	25.13	2.49	2.50	2.46	2.46
Oak Lodge Water District 4	18.57	0.00	0.00	0.00	0.00
Clackamas Community College	15.30	0.74	0.75	0.71	0.71
Tri-Met Transportation District	13.49	0.00	0.00	0.00	0.00
Clackamas ESD	11.89	0.37	0.37	0.37	0.37
Clackamas County Rural	10.82	3.22	3.22	3.22	3.22
Clackamas County Library	11.37	0.40	0.40	0.40	0.40
Clackamas County Extension & 4-H	11.37	0.00	0.05	0.05	0.05
Clackamas Co. Urban Renewal Sp.	11.37	0.00	0.00	0.00	0.00
Clackamas Co. Urban Renewal Reg.	11.37	0.03	0.03	0.03	0.02
Clackamas County Vector Control	11.37	0.03	0.03	0.03	0.03
Clack. Co. Vector Control Local Opt.	11.37	0.03	0.03	0.03	0.03
Clackamas County Public Safety LO	11.37	0.25	0.25	0.25	0.25
Clackamas Co. Soil Conservation	11.37	0.05	0.00	0.05	0.05
Port of Portland	11.37	0.07	0.07	0.07	0.07
Clackamas County City	11.84	2.65	2.65	2.65	2.65
Metro Service District	10.54	0.40	0.39	0.46	0.47
Clackamas County Law Enhance.	6.15	0.72	0.72	0.72	0.72
City of Gladstone	3.29	5.81	5.81	5.81	5.81
City of Gladstone Urban Renewal 3	3.29	0.00	0.00	0.00	0.00
North Clackamas Parks & Rec.	3.15	0.54	0.54	0.54	0.54
Estacada FD #69	1.01	2.40	2.40	2.40	2.40
Estacada Cemetery District	0.04	0.06	0.06	0.11	0.11
Recreation Canby Area Parks	0.06	0.00	0.00	0.00	0.00
Molalla FD 73	0.02	0.78	1.44	1.44	0.78

Amounts are expressed as rate per \$1,000 of assessed value.

Source: Oregon Municipal Debt Advisory Commission
Clackamas County Department of Assessment and Taxation

<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
\$ 4.96	\$ 4.96	\$ 4.96	\$ 4.96	\$ 4.96	\$ 4.96
1.45	1.42	1.41	1.46	1.49	1.56
6.41	6.38	6.37	6.42	6.45	6.52
4.28	4.28	4.28	4.30	4.31	5.23
0.85	0.79	0.83	0.80	0.79	0.52
2.47	2.46	2.47	2.48	2.47	2.48
0.00	0.14	0.15	0.15	0.15	0.16
0.72	0.70	0.72	0.74	0.76	0.76
0.00	0.06	0.09	0.09	0.08	0.09
0.37	0.37	0.37	0.37	0.37	0.37
2.98	2.98	2.98	2.98	2.98	2.98
0.40	0.40	0.40	0.39	0.00	0.00
0.05	0.05	0.05	0.05	0.00	0.00
0.11	0.11	0.12	0.12	0.07	0.07
0.11	0.11	0.15	0.15	0.13	0.03
0.01	0.01	0.01	0.01	0.01	0.01
0.03	0.03	0.03	0.03	0.03	0.03
0.25	0.25	0.25	0.25	0.25	0.25
0.05	0.05	0.04	0.05	0.05	0.05
0.07	0.07	0.07	0.07	0.07	0.07
2.40	2.40	2.40	2.40	2.65	2.65
0.40	0.32	0.41	0.44	0.40	0.43
0.72	0.72	0.72	0.72	0.72	0.72
5.81	5.81	5.81	5.81	5.81	5.81
0.00	0.00	0.00	0.00	0.00	0.00
0.54	0.54	0.54	0.54	0.54	0.54
2.40	2.40	2.40	2.40	2.40	2.40
0.11	0.11	0.11	0.11	0.11	0.11
0.00	0.00	0.00	0.00	0.00	0.00
0.78	0.78	0.78	0.78	0.78	0.78

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Principal Taxpayers Within District

June 30, 2017

Taxpayer	June 30, 2017			June 30, 2008		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Portland General Electric Co.	\$ 73,218,214	1	1.37 %	\$ 46,405,000	1	1.27 %
The Landing - 302 LLC	48,695,797	2	0.91			
Comcast Corporation	27,697,100	3	0.52			
Northwest Natural Gas Company	26,854,000	4	0.50	22,587,900	3	0.62
Quantum Management	23,358,193	5	0.44	18,127,109	4	0.50
Metropolitan Life Ins. Co.	22,012,822	6	0.41	15,967,885	7	0.44
Country Village Estates	20,929,126	7	0.39	15,228,727	9	0.42
Trails End Oregon Investors LLC	20,491,154	8	0.38	15,809,910	8	0.43
Danielson, Craig T	19,252,124	9	0.36			
Providence Health & Services	16,426,606	10	0.31			
Beavercreek Coop. Telephone Co.				18,104,400	5	0.50
CenturyLink, Inc.				16,471,900	6	0.45
Blue Heron Paper Co				24,932,144	2	0.68
BHLP REFI LLC				11,146,966	10	0.31
ALL OTHER TAXPAYERS	5,041,237,181		94.39	3,437,663,767		94.38
TOTAL	<u>\$ 5,340,172,317</u>		<u>99.98 %</u>	<u>\$ 3,642,445,708</u>		<u>100.00 %</u>

Source: Clackamas County Department of Assessment and Taxation

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Certified Tax Levies			Current Tax Collections	Current Tax Collections as a Percentage of Current Levy
	General Fund	Debt Service Fund	Total		
2016-17	\$ 25,199,914	\$ 7,206,382	\$ 32,406,296	\$ 30,885,672	95.31 %
2015-16	24,059,659	7,154,424	31,214,083	29,684,165	95.10
2014-15	22,840,912	6,907,606	29,748,518	29,012,254	97.53
2013-14	21,305,871	6,528,081	27,833,952	27,088,764	97.32
2012-13	20,325,699	6,356,781	26,682,480	25,819,109	96.76
2011-12	20,520,017	6,058,528	26,578,545	25,622,905	96.40
2010-11	20,152,811	5,894,946	26,047,757	25,085,280	96.30
2009-10	19,636,845	5,826,431	25,463,276	24,460,453	96.06
2008-09	18,868,929	5,767,584	24,636,513	23,520,387	95.47
2007-08	17,920,443	5,717,560	23,638,003	22,786,943	96.40

Source: Clackamas County Department of Assessment and Taxation
Oregon City School District No. 62 financial records

Prior Years Tax Collections	Total Tax Collections	Total Tax Collections as a Percentage of Current Levy	Uncollected Taxes	Uncollected Taxes as a Percentage of Current Levy
\$ 530,732	\$ 31,416,404	96.95 %	\$ 1,228,911	3.8 %
570,455	30,254,620	96.93	1,781,230	5.7
651,889	29,664,143	99.72	1,424,235	4.8
735,218	27,823,982	99.96	1,671,962	6.0
715,347	26,534,456	99.45	1,748,745	6.6
684,037	26,306,942	98.98	1,739,524	6.5
851,404	25,936,684	99.57	1,505,757	5.8
838,406	25,298,859	99.35	1,623,180	6.4
641,248	24,161,635	98.07	1,552,306	6.3
475,950	23,262,893	98.41	1,161,868	4.9

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Ratios of Outstanding Debt (1)
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Pension Obligation Bonds	Certificates of Participation	Notes Payable	Capital Leases	Total Outstanding Debt	General Obligation Bond Premium (Discount)	Percentage of Assessed Value (2)	Percentage of Personal Income (3)	Per Capita (3)
2016-17	\$ 32,620,000	\$ 37,520,000	\$ 50,002	\$ 3,012,688	\$ 230,243	\$ 73,432,933	\$ 1,772,703	1.38 %	n/a %	\$ 1,293
2015-16	39,525,000	39,205,000	140,002	3,016,600	192,880	82,079,482	1,763,247	1.61	0.39	1,447
2014-15	46,170,000	40,665,000	220,002	2,894,944	118,471	90,068,417	1,745,210	1.84	0.45	1,590
2013-14	37,080,000	41,910,000	300,000	6,572,337	65,963	85,928,300	(141,161)	1.82	0.45	1,518
2012-13	42,855,000	42,965,000	380,000	5,984,596	-	92,184,596	64,850	2.04	0.48	1,633
2011-12	44,785,000	43,840,000	460,000	1,117,102	44,739	90,246,841	1,836,308	2.12	0.49	1,625
2010-11	48,585,000	44,550,000	530,000	750,247	191,086	94,606,333	2,065,846	2.29	0.54	1,722
2009-10	52,095,000	45,105,000	785,000	450,000	233,455	98,668,455	2,295,384	2.47	0.60	1,805
2008-09	55,265,000	45,525,000	1,030,000	-	-	101,820,000	2,524,922	2.65	0.62	1,836
2007-08	58,115,000	45,815,000	825,000	-	-	104,755,000	2,754,460	2.88	0.60	1,903

(1) Details on the District's outstanding debt can be found in the Notes to the Financial Statements - Note 8

(2) See the Schedule Assessed and Real Market Value of Taxable Property for assessed value data.

(3) See the Schedule of Demographic and Economic Statistics for personal income and population data.

Source: Oregon City School District No. 62 financial records

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Ratios of Net General Bonded Debt
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (Estimated)</u>	<u>Average Daily Membership (ADM) (2)</u>	<u>Assessed Valuation (3)</u>
2016-17	56,776 (1)	8,001.8	\$ 5,340,172,317
2015-16	56,719 (1)	8,094.1	5,112,806,842
2014-15	56,662 (1)	7,790.2	4,902,505,494
2013-14 (4)	56,605 (1)	7,824.0	4,730,942,130
2012-13	56,436 (1)	7,798.0	4,511,883,353
2011-12	55,547 (1)	7,824.0	4,257,695,242
2010-11	54,943 (1)	7,886.0	4,133,917,121
2009-10	54,670 (1)	7,835.9	3,996,596,474
2008-09	55,466 (1)	7,930.4	3,835,176,499
2007-08	55,053 (1)	8,005.4	3,642,445,708

Source: (1) Population Research Center, Portland State University
(2) Oregon Department of Education - includes charter schools
(3) Clackamas County Department of Assessment and Taxation
(4) Beginning with 2013-14 General Pension Bonds are included in Gross General Bonded Debt

<u>Gross General Bonded Debt</u>	<u>Less Debt Service Fund (4)</u>	<u>Net General Bonded Debt</u>	<u>Ratio Of Net General Bonded Debt To Assessed Value</u>	<u>Net General Bonded Debt Per Capita</u>	<u>Net General Bonded Debt Per ADM</u>
\$ 75,205,636	\$ 934,095	\$ 74,271,541	1.39 %	\$ 1,308	\$ 9,282
83,842,729	906,141	82,936,588	1.62	1,462	10,247
91,813,627	778,012	91,035,615	1.86	1,607	11,686
85,787,139	641,630	85,145,509	1.80	1,504	10,883
92,249,446	517,006	91,732,440	2.03	1,625	11,764
92,083,149	546,376	91,536,773	2.15	1,648	11,699
96,672,179	700,857	95,971,322	2.32	1,747	12,170
100,963,839	805,490	100,158,349	2.51	1,832	12,782
104,344,922	806,447	103,538,475	2.70	1,867	13,056
107,509,460	722,051	106,787,409	2.93	1,940	13,339

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Direct and Overlapping Governmental Activities Debt
June 30, 2017

<u>Governmental Unit</u>	<u>Estimated Percentage Applicable</u>	<u>Gross Direct Debt Outstanding (1)</u>	<u>Estimated Share of Direct and Overlapping Debt (2)</u>
<u>DIRECT DEBT:</u>			
Oregon City School District	100.00 %	<u>\$ 75,205,636</u>	<u>\$ 75,205,636</u>
<u>OVERLAPPING GOVERNMENT:</u>			
City of Oregon City	100.00	-	-
Clackamas RFPD #1	26.97	26,870,000	7,246,624
Clackamas Community College	15.41	102,608,913	15,815,214
Clackamas County ESD	11.86	22,820,637	2,706,664
Clackamas County	11.29	155,330,136	17,537,704
City of Gladstone	3.07	1,473,000	45,189
Metro	1.92	183,510,000	3,514,951
Molalla RFPD #73	0.02	3,070,000	528
Subtotal Overlapping Debt			<u>46,866,874</u>
Total Direct and Overlapping Debt			<u><u>\$ 122,072,510</u></u>

(1) Gross Direct Debt includes all outstanding long-term debt instruments including bonds, notes, loans, premiums or discounts and capital leases.

(2) Overlapping Debt is calculated using net property-tax backed debt times percent overlapping that are provided by Oregon State Treasury, Debt Management Division.

Source: Oregon Municipal Debt Advisory Commission

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Computation of Legal Debt Margin
Last Ten Fiscal Years

Fiscal Year	(a) Real Market Value	(b = a x 7.95%) Legal Debt Limitation (1)	(c) Net General Bonded Debt (2)	(b - c) Debt Margin	(c / b) Percentage of Debt to Debt Limit
2016-17	\$ 8,201,540,041	\$ 652,022,433	\$ 74,271,541	\$ 577,750,892	11.39 %
2015-16	7,375,278,484	586,334,639	82,936,588	503,398,051	14.14
2014-15	6,533,104,678	519,381,822	91,035,615	428,346,207	17.53
2013-14	5,892,815,978	468,478,870	85,145,509	383,333,361	18.17
2012-13	5,008,064,013	398,141,089	42,337,994	355,803,095	10.63
2011-12	5,261,997,790	418,328,824	91,536,773	326,792,051	21.88
2010-11	5,647,284,125	448,959,088	95,971,322	352,987,766	21.38
2009-10	6,222,914,277	494,721,685	100,158,349	394,563,336	20.25
2008-09	6,812,577,202	541,599,888	103,538,475	438,061,413	19.12
2007-08	6,609,475,399	525,453,294	106,787,409	418,665,885	20.32

(1) The legal debt limitation is calculated as 7.95% of real market value of property within the district.

(2) The general bonded indebtedness subject to the limitation may be offset by amounts set aside for repaying general bonded indebtedness. See Ratios of Net General Bonded Debt schedule.

Source: Oregon City School District No. 62 financial records

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	District Population (Estimated)	County Personal Income (2) (x \$1,000)	County Per Capita Income (2)	District Student Enrollment (3)	County Unemployment Rate (4)	County Construction Activity (5)	
						Permits	Value (x \$1,000)
2016-17	56,776 (1)	\$ n/a	\$ n/a	7,425	3.7 %	1,528	\$ 182,022
2015-16	56,719 (1)	20,965,832	51,379	7,535	4.3	88	19,797
2014-15	56,662 (1)	19,901,153	49,565	7,452	5.7	2,579	181,647
2013-14	56,605 (1)	19,240,407	48,713	7,487	6.2	1,217	119,460
2012-13	56,436 (1)	19,200,727	49,453	7,387	6.8	1,297	127,803
2011-12	55,547 (1)	18,535,004	48,286	7,499	7.5	1,440	135,128
2010-11	54,943 (1)	17,457,115	45,915	7,559	8.5	1,440	121,533
2009-10	54,670 (1)	16,537,551	43,871	7,593	10.1	2,332	333,766
2008-09	55,466 (1)	16,315,504	43,614	7,732	10.7	944	147,376
2007-08	55,053 (1)	17,482,238	47,109	7,814	5.2	732	251,900
2006-07	0 (1)	16,678,152	45,468	7,846	4.6	774	268,316

Certain data on this table is only available on a calendar year basis. The prior calendar year data is used for a given fiscal year.

Source: (1) Population Research Center, Portland State University
(2) Bureau of Economic Analysis for Clackamas County. District-level data unavailable.
(3) September student enrollment plus students enrolled in District Component Charter Schools
(4) Oregon Employment Department for Clackamas County. District-level data unavailable.
(5) Clackamas County Building Department for Clackamas County. District-level data unavailable.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Principal Employers
June 30, 2017

Employer	June 30, 2017		June 30, 2008	
	Employees	Percent of Total Estimated Employment	Employees (1)	Percent of Total Estimated Employment
Clackamas County Government *	1,954	3.44 %	2,268	4.07 %
Clackamas Community College	919	1.62	971	1.74
Oregon City School District No. 62	965	1.70	925	1.66
Providence Willamette Falls Hospital	675	1.19	819	1.47
Fred Meyer	420	0.74	290	0.52
City of Oregon City	271	0.48	200	0.36
Home Depot	256	0.45	n/a	n/a
Safeway	185	0.33	n/a	n/a
Albertson's	88	0.15	100	0.18
Portland General Electric	77	0.14	117	0.21
TOTAL	<u>5,810</u>	<u>10.24 %</u>	<u>5,690</u>	<u>10.21 %</u>

Note: Total employment information specific to the District's boundaries is unavailable. Therefore, total estimated population was used for comparative purposes.

* Used prior year numbers as the number was not available at the time of publication

(1) Number of employees listed may be an estimate provided by the employer if historical records were unavailable

Source: Oregon City School District No. 62 annual survey of district employers.

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Full-Time Equivalent (FTE) Employees by Function
Last Ten Fiscal Years

<u>FUNCTION</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
General Fund:					
Instruction	443.4	438.6	409.5	412.8	406.2
Support Services	247.6	250.1	257.5	247.5	234.8
Enterprise/Community Services	4.3	4.3	5.3	4.8	2.7
Total General Fund	<u>695.3</u>	<u>692.9</u>	<u>672.3</u>	<u>665.1</u>	<u>643.7</u>
Special Revenue Funds:					
Instruction	30.3	34.2	48.5	57.8	46.0
Support Services	15.1	17.6	13.7	12.6	14.7
Enterprise/Community Services	32.1	29.8	31.9	30.5	31.1
Total Special Revenue Funds	<u>77.5</u>	<u>81.6</u>	<u>94.1</u>	<u>100.9</u>	<u>91.8</u>
Capital Projects Funds:					
Facilities Acquisition/Construction	0.0	0.0	0.0	0.0	0.0
Total Capital Projects Funds	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Internal Service Fund:					
Support Services	1.0	1.0	1.0	0.5	0.5
Total Internal Service Fund	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>0.5</u>	<u>0.5</u>
Trust and Agency Funds:					
Instruction	26.2	28.1	28.6	20.6	15.7
Support Services	9.8	7.9	5.7	6.8	4.1
Total Trust and Agency Funds	<u>36.0</u>	<u>35.9</u>	<u>34.3</u>	<u>27.4</u>	<u>19.8</u>
Grand Total All Funds	<u>809.8</u>	<u>811.5</u>	<u>801.7</u>	<u>793.9</u>	<u>755.8</u>

Amounts represent full-time equivalent (FTE) positions at June 30.

Source: Oregon City School District No. 62, Human Resource Department

<u>2011-12</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
403.7	403.7	397.4	398.1	447.8	452.4
235.6	235.6	240.0	240.4	261.7	262.4
2.5	2.5	2.6	2.6	2.6	4.0
<u>641.8</u>	<u>641.8</u>	<u>640.0</u>	<u>641.1</u>	<u>712.1</u>	<u>718.8</u>
43.8	43.8	51.1	56.3	52.7	58.0
14.2	14.2	22.4	21.3	17.3	15.8
32.5	32.5	30.7	31.8	33.3	33.6
<u>90.5</u>	<u>90.5</u>	<u>104.2</u>	<u>109.4</u>	<u>103.3</u>	<u>107.4</u>
0.0	0.0	0.0	0.0	0.0	0.0
<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
0.5	0.5	0.5	0.5	0.5	0.5
<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
12.2	12.2	8.6	6.8	6.7	9.0
2.9	2.9	2.1	1.5	1.8	1.0
<u>15.1</u>	<u>15.1</u>	<u>10.7</u>	<u>8.3</u>	<u>8.5</u>	<u>10.0</u>
<u><u>747.9</u></u>	<u><u>747.9</u></u>	<u><u>755.4</u></u>	<u><u>759.3</u></u>	<u><u>824.4</u></u>	<u><u>836.7</u></u>

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Non-GAAP Operating Expenditures (1)	Cost Per Pupil	Percentage Change	Expenditures (2)	Cost Per Pupil	Percentage Change	Pupil - Teacher Ratio	Percentage of Students Receiving Free or Reduced Price Meals
2016-17	7,425	\$ 85,395,139	\$ 11,501	2.07 %	\$ 100,242,205	\$ 13,501	-6.95 %	15.50 :1	38.0 %
2015-16	7,535	84,901,975	11,268	2.42	109,326,047	14,509	12.91	18.50 :1	38.7
2014-15	7,452	81,987,089	11,002	7.28	95,759,084	12,850	7.81	18.80 :1	39.2
2013-14	7,487	76,781,432	10,255	3.10	89,239,598	11,919	-0.64	19.00 :1	39.0
2012-13	7,387	73,481,759	9,947	4.24	88,612,188	11,996	11.02	19.60 :1	39.5
2011-12	7,499	71,553,629	9,542	0.03	81,025,963	10,805	-0.44	20.00 :1	40.7
2010-11	7,559	72,108,814	9,539	3.93	82,037,989	10,853	4.14	19.90 :1	37.8
2009-10	7,675	70,443,348	9,178	-4.26	79,992,584	10,422	-3.07	19.90 :1	36.0
2008-09	7,732	74,120,764	9,586	1.39	83,134,927	10,752	1.36	18.30 :1	32.3
2007-08	7,814	73,882,576	9,455	11.21	82,894,221	10,608	12.09	18.10 :1	31.0

(1) Operating expenditures include all General & Special Revenue Funds with the exception of functions 4000, 5000, 6000, or 7000.

(2) Expenditures include all governmental fund types.

Source: Oregon City School District No. 62 financial records and various departments.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Revenues and Other Financing Sources - General Fund (1)
Non GAAP Budgetary Basis
Last Ten Fiscal Years

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
<u>REVENUES AND OTHER FINANCING SOURCES:</u>				
Local Sources:				
Property Taxes (2)	\$ 24,516,105 31.22%	\$ 23,409,138 29.80%	\$ 22,164,575 29.62%	\$ 20,767,357 30.01%
Miscellaneous Local Sources	1,627,088 2.07%	1,680,626 2.14%	1,627,124 2.17%	1,644,911 2.38%
Total Local Sources	26,143,193 33.29%	25,089,764 31.94%	23,791,699 31.79%	22,412,268 32.39%
Intermediate Sources:				
County School Funds	812,538 1.03%	797,721 1.02%	383,586 0.51%	64 0.00%
State Sources:				
School Support Fund	45,070,857 57.39%	47,151,577 60.03%	45,607,400 60.95%	42,706,944 61.72%
Miscellaneous and Restricted Grants	1,674,134 2.13%	1,388,338 1.77%	1,463,184 1.96%	781,877 1.13%
Total State Sources	46,744,991 59.52%	48,539,916 61.80%	47,070,584 62.91%	43,488,821 62.85%
Federal Sources	15,466 0.02%	76,412 0.10%	9,821 0.01%	41,377 0.06%
Other Financing Sources	1,516 0.00%	0 0.00%	120,000 0.16%	194,069 0.28%
Beginning Fund Balance Available for Appropriation	4,816,838 6.13%	4,044,613 5.15%	3,452,802 4.61%	3,057,703 4.42%
Total Revenues and Other Financing Sources	<u>\$ 78,534,542</u>	<u>\$ 78,548,426</u>	<u>\$ 74,828,492</u>	<u>\$ 69,194,302</u>

Note: The totals on percentages may not equal an even 100% due to rounding.

- (1) The General Fund accounts for the general operating revenues of the District.
(2) Revenues are recognized when measurable and available.

Source: Oregon City School District No. 62 financial records

<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
\$ 19,712,770 29.88%	\$ 19,797,126 29.82%	\$ 19,510,059 29.65%	\$ 19,033,781 28.89%	\$ 18,089,062 26.12%	\$ 17,261,172 24.89%
1,879,953 2.85%	1,764,372 2.66%	1,971,665 3.00%	1,738,823 2.64%	1,692,340 2.44%	2,537,005 3.66%
21,592,723 32.73%	21,561,498 32.48%	21,481,724 32.65%	20,772,604 31.53%	19,781,402 28.56%	19,798,177 28.55%
42,344 0.06%	15,712 0.02%	10,323 0.02%	1,049 0.00%	6,782 0.01%	1,077 0.00%
38,521,576 58.40%	36,953,655 55.66%	34,756,309 52.83%	36,727,934 55.76%	37,564,385 54.25%	40,085,420 57.80%
1,012,485 1.53%	2,828,431 4.26%	1,175,673 1.79%	1,263,804 1.92%	3,550,924 5.13%	2,620,123 3.78%
39,534,061 59.93%	39,782,086 59.92%	35,931,982 54.62%	37,991,738 57.68%	41,115,309 59.38%	42,705,543 61.58%
42,851 0.06%	70,271 0.11%	2,711,234 4.12%	2,291,627 3.48%	1,746,456 2.52%	203,936 0.29%
0 0.00%	0 0.00%	26,242 0.04%	267,600 0.41%	1,238,387 1.79%	246,193 0.35%
4,754,153 7.21%	4,958,887 7.47%	5,629,375 8.56%	4,547,652 6.90%	5,357,803 7.74%	6,402,219 9.23%
<u>\$ 65,966,132</u>	<u>\$ 66,388,454</u>	<u>\$ 65,790,880</u>	<u>\$ 65,872,270</u>	<u>\$ 69,246,139</u>	<u>\$ 69,357,145</u>

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Expenditures by Program - General Fund (1)
Non GAAP Budgetary Basis
Last Ten Fiscal Years

EXPENDITURES:	2016-17	2015-16	2014-15	2013-14
Instruction:				
Regular Instruction	\$ 30,325,725 40.35%	\$ 29,993,757 40.57%	\$ 29,028,079 40.93%	\$ 27,037,742 40.97%
Special Programs	17,639,926 23.47%	17,694,257 23.93%	16,838,891 23.74%	15,985,584 24.22%
Support Services:				
Students	6,447,301 8.58%	6,079,694 8.22%	5,054,515 7.13%	4,033,429 6.11%
Instructional Staff	1,658,608 2.21%	1,633,523 2.21%	1,548,893 2.18%	1,400,104 2.12%
General Administration	497,773 0.66%	467,005 0.63%	503,499 0.71%	484,161 0.73%
School Administration	3,785,739 5.04%	3,877,328 5.24%	3,827,829 5.40%	3,773,458 5.72%
Business:				
Direction and Fiscal Services	976,524 1.30%	1,090,253 1.47%	985,052 1.39%	941,162 1.43%
Operation and Maintenance of Plant	5,476,735 7.29%	5,547,934 7.50%	5,688,947 8.02%	5,260,815 7.97%
Student Transportation	5,120,870 6.81%	4,557,155 6.16%	4,585,288 6.47%	4,228,875 6.41%
Internal Services	506,320 0.67%	463,497 0.63%	555,570 0.78%	460,237 0.70%
Central Support	1,687,052 2.24%	1,677,524 2.27%	1,510,276 2.13%	1,613,750 2.45%
Enterprise/Community Services	818,324 1.09%	793,657 1.07%	671,696 0.95%	587,134 0.89%
Facilities Acquisition/Construction	167 0.00%	0 0.00%	0 0.00%	0 0.00%
Debt Service	0 0.00%	0 0.00%	0 0.00%	0 0.00%
Other Uses - Transfers Out	210,000 0.28%	55,000 0.07%	120,000 0.17%	194,069 0.29%
Total Expenditures	\$ 75,151,064	\$ 73,930,584	\$ 70,918,535	\$ 66,000,520
Student Enrollment *	7,425	7,535	7,452	7,487
Expenditures/Other Uses Per Student	\$ 10,121	\$ 9,812	\$ 9,517	\$ 8,815

Note: The totals on percentages may not equal an even 100% due to rounding.

(1) The General Fund accounts for the general operating expenditures and transfers of the District.

* September student enrollment plus students enrolled in District Component Charter Schools

Source: Oregon City School District No. 62 financial records

2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
\$ 26,329,807 42.03%	\$ 25,647,238 41.60%	\$ 26,199,307 43.02%	\$ 25,827,294 42.98%	\$ 28,376,561 43.85%	\$ 28,588,213 44.76%
14,547,008 23.22%	13,618,865 22.09%	12,726,494 20.90%	12,450,099 20.72%	12,490,054 19.30%	11,676,329 18.28%
3,626,581 5.79%	3,522,995 5.71%	3,482,194 5.72%	3,402,513 5.66%	3,872,870 5.99%	3,937,335 6.17%
1,267,504 2.02%	1,416,130 2.30%	1,479,838 2.43%	1,310,229 2.18%	1,605,119 2.48%	1,597,786 2.50%
448,547 0.72%	449,077 0.73%	442,786 0.73%	437,680 0.73%	463,867 0.72%	440,125 0.69%
3,604,650 5.75%	3,962,719 6.43%	3,946,737 6.48%	3,973,579 6.61%	4,203,556 6.50%	4,102,082 6.42%
863,874 1.38%	806,692 1.31%	780,294 1.28%	796,460 1.33%	928,630 1.44%	896,462 1.40%
5,203,979 8.31%	5,235,031 8.49%	5,109,820 8.39%	5,205,408 8.66%	5,733,618 8.86%	5,863,774 9.18%
4,290,091 6.85%	4,028,191 6.53%	4,082,513 6.70%	3,846,802 6.40%	3,908,962 6.04%	3,883,372 6.08%
347,947 0.56%	446,213 0.72%	221,355 0.36%	433,262 0.72%	485,016 0.75%	305,182 0.48%
1,594,691 2.55%	1,728,489 2.80%	1,720,129 2.82%	1,774,441 2.95%	1,746,119 2.70%	1,556,689 2.44%
523,197 0.84%	513,441 0.83%	502,915 0.83%	434,784 0.72%	431,543 0.67%	401,719 0.63%
0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%
0 0.00%	27,399 0.04%	201,558 0.33%	194,985 0.32%	194,143 0.30%	192,745 0.30%
0 0.00%	254,228 0.41%	0 0.00%	0 0.00%	267,600 0.41%	423,000 0.66%
<u>\$ 62,647,876</u>	<u>\$ 61,656,708</u>	<u>\$ 60,895,940</u>	<u>\$ 60,087,536</u>	<u>\$ 64,707,658</u>	<u>\$ 63,864,813</u>
7,387	7,499	7,559	7,593	7,732	7,814
\$ 8,481	\$ 8,222	\$ 8,056	\$ 7,914	\$ 8,369	\$ 8,173

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Capital Asset Information
Last Ten Fiscal Years

Elementary Schools:	Year Built	2016-17	2015-16	2014-15	2013-14
Beavercreek	1948				
Square Feet		56,150	56,150	56,150	56,150
Preferred Student Capacity		560	560	560	560
Enrollment		533	530	539	548
Candy Lane	1969				
Square Feet		34,930	34,930	34,930	34,930
Preferred Student Capacity		200	200	200	200
Enrollment		271	268	309	252
Gaffney Lane	1965				
Square Feet		56,828	56,828	56,828	56,828
Preferred Student Capacity		600	583	600	600
Enrollment		547	583	566	533
Holcomb	1966				
Square Feet		51,090	51,090	51,090	51,090
Preferred Student Capacity		661	661	661	661
Enrollment		490	489	488	536
Jennings Lodge	1938				
Square Feet		31,980	31,980	31,980	31,980
Preferred Student Capacity		275	275	275	275
Enrollment		267	279	237	312
John McLoughlin	1975				
Square Feet		57,780	57,780	57,780	57,780
Preferred Student Capacity		583	583	583	583
Enrollment		598	580	556	561
Redland	1948				
Square Feet		55,000	55,000	55,000	55,000
Preferred Student Capacity		607	607	607	607
Enrollment		561	542	529	539
Middle Schools:					
Mt. Pleasant (Gardiner grade 6)	(2) 1929				
Square Feet		-	-	-	50,150
Preferred Student Capacity		-	-	-	560
Enrollment (1)		-	-	-	0
Gardiner (grades 6-8)	1954/ 2013	106,890	106,890	106,890	106,890
Square Feet		853	853	853	853
Preferred Student Capacity		782	774	762	775
Ogden	1965/ 2012	107,538	107,538	107,538	107,538
Square Feet		896	896	896	896
Preferred Student Capacity		835	824	876	888
Enrollment					
High Schools:					
Oregon City High School (2)	2003				
Square Feet		323,000	323,000	323,000	323,000
Preferred Student Capacity		2,450	2,450	2,450	2,450
Enrollment		2,023	2,099	2,187	2,199
King -Charter High Schools	1958				
Square Feet		44,220	44,220	44,220	44,220
Preferred Student Capacity		400	400	400	400
Enrollment (3)					
Total Enrollment (4)		6,907	6,968	7,049	7,143

(1) Mt Pleasant Elementary became a sixth grade campus for one year in 2012-13.

(2) Mt Pleasant was sold in 2014-15.

(3) King Elementary became a Charter High School in 2012-13.

(4) Total Enrollment only includes student count at the sites and does not include district campus enrolled in other programs on campus sites or off campus and does not include District Charter Schools

Source: Oregon City School District No. 62 property records and Oregon Department of Education - QTR 4 Student Enrollment

2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
56,150	56,150	56,150	56,150	56,150	56,150
560	560	560	560	560	560
480	432	441	465	458	453
34,930	34,930	34,930	34,930	34,930	34,930
200	200	200	200	200	200
235	182	202	224	263	243
56,828	56,828	56,828	56,828	56,828	56,828
600	600	600	600	600	600
536	570	573	551	561	575
51,090	51,090	51,090	51,090	51,090	51,090
661	661	661	661	661	661
547	542	566	563	494	456
31,980	31,980	31,980	31,980	31,980	31,980
275	275	275	275	275	275
292	293	296	328	295	319
57,780	57,780	57,780	57,780	57,780	57,780
583	583	583	583	583	583
545	557	554	569	588	582
55,000	55,000	55,000	55,000	55,000	55,000
607	607	607	607	607	607
547	544	572	570	473	522
50,150	50,150	50,150	50,150	50,150	50,150
560	560	560	560	560	560
258	403	395	378	391	391
98,600	98,600	98,600	98,600	98,600	98,600
613	613	613	613	613	613
587	625	633	552	547	577
107,538	100,370	100,370	100,370	100,370	100,370
896	656	656	656	656	656
898	608	623	631	627	663
304,440	323,000	323,000	323,000	323,000	323,000
2,450	2,450	2,450	2,450	2,450	2,450
2,187	2,200	2,194	2,231	2,125	2,213
44,220	44,220	44,220	44,220	44,220	44,220
400	400	400	400	400	400
275	375	369	412	416	419
7,129	6,928	7,023	7,096	6,847	7,022

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Teacher Full-Time Equivalents (FTE) by Education Range and Step

June 30, 2017

Step	B.S. Degree	B.S. Degree +24 Hrs.	B.S. Degree +45 Hrs.	Master's or B.S. Degree +60 Hrs.	Master's +24 Hrs. or B.S. Degree +84 Hrs.	Master's +45 Hrs. or B.S. Degree +105 Hrs.	Total FTE
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	4.00	1.00	0.00	12.00	3.00	2.00	22.00
4	4.00	0.00	0.00	13.00	1.00	6.00	24.00
5	2.00	1.00	0.00	21.00	3.00	7.00	34.00
6	0.00	1.00	0.00	10.00	3.00	9.00	23.00
7	1.00	4.00	0.00	14.00	4.00	8.00	31.00
8	0.00	0.00	0.00	12.00	5.00	6.00	23.00
9	3.00	0.00	0.00	14.00	4.00	4.00	25.00
10	1.00	0.00	0.00	14.00	4.00	8.00	27.00
11	0.00	0.00	1.00	10.00	12.00	8.00	31.00
12	3.00	1.00	0.00	12.00	6.00	20.00	42.00
13	0.00	10.00	0.00	5.00	3.00	5.00	23.00
14	0.00	0.00	4.00	9.00	7.00	9.00	29.00
15	0.00	0.00	0.00	12.00	6.00	5.00	23.00
16	0.00	0.00	0.00	27.00	18.00	11.00	56.00
17	0.00	0.00	0.00	0.00	0.00	65.00	65.00
Total FTE	18.00	18.00	5.00	185.00	79.00	173.00	478.00

Estimated Average Teacher Salary: \$62,783.75

Source: Oregon City School District No. 62 Human Resources Department.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Miscellaneous Statistical Data
Last Ten Fiscal Years

Fiscal Year	High School Graduates	Student per Teacher Ratio (1)	Nutrition Services		Pupil Transportation	
			Lunches Served	Other Meals and Snacks	Miles Driven	Students Served
2016-17	518	15.5	465,878	221,650	1,056,845	3,886
2015-16	548	18.5	503,744	221,650	1,080,033	4,347
2014-15	514	18.8	491,218	230,716	1,145,032	4,029
2013-14	454	19.0	488,944	256,640	1,064,608	4,489
2012-13	481	19.6	512,090	283,046	942,184	4,874
2011-12	461	20.0	527,506	259,419	937,772	3,936
2010-11	475	19.9	562,088	233,899	997,693	4,125
2009-10	463	19.9	574,536	256,752	984,088	3,965
2008-09	486	18.3	771,212	126,651	1,016,597	4,010
2007-08	426	18.1	718,835	207,110	1,005,462	4,219
2006-07	458	18.9	721,257	198,426	987,215	4,245

(1) Includes Classroom, Music, Physical Education, and Special Education Teachers as well as Media Specialists and Counselors. Based on September student enrollment and includes District Component Charter Schools.

Source: Oregon City School District No. 62, various departments.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon

Revenues and Other Financing Sources - All Funds
Non GAAP Budgetary Basis
Last Ten Fiscal Years

	2016-17	2015-16	2014-15	2013-14	2012-13 (3)
REVENUES AND OTHER FINANCING SOURCES:					
Local sources:					
Current/prior years' taxes (1)	\$ 32,145,125	\$ 30,952,392	\$ 29,276,856	\$ 27,580,481	\$ 26,513,339
Earnings on investments	373,216	282,327	158,809	127,964	135,352
Food services	658,489	654,650	627,501	652,412	694,671
Extracurricular activities	2,469,635	2,767,164	2,197,457	2,351,397	2,366,570
Community service activities	1,622,979	1,609,032	1,392,297	1,143,158	1,186,587
Miscellaneous	5,560,646	5,450,722	5,652,170	5,333,824	5,431,920
Total local sources	<u>42,830,091</u>	<u>41,716,287</u>	<u>39,305,090</u>	<u>37,189,236</u>	<u>36,328,439</u>
Intermediate sources:					
ESD funds	1,544,944	1,570,214	1,136,944	767,026	788,540
Miscellaneous	0	23,875	21,067	38,538	58,056
Total intermediate sources	<u>1,544,944</u>	<u>1,594,090</u>	<u>1,158,011</u>	<u>805,564</u>	<u>846,596</u>
State sources:					
School support fund	45,639,701	46,538,935	45,299,224	41,819,628	37,528,883
SSF - transportation	3,010,893	3,762,935	2,950,397	3,061,744	3,081,126
Common school fund	942,191	893,542	741,068	349,970	731,466
Restricted grants	519,909	1,029,042	906,575	540,976	9,250
Miscellaneous	712,896	483,333	590,440	410,035	906,075
Total state sources	<u>50,825,589</u>	<u>52,707,787</u>	<u>50,487,704</u>	<u>46,182,353</u>	<u>42,256,800</u>
Federal sources:					
School nutrition	1,278,409	1,446,811	1,306,545	644,000	1,318,774
Restricted grants	3,857,190	3,667,226	3,901,761	4,783,660	3,420,393
Miscellaneous	15,466	76,412	9,821	41,377	42,851
Total federal sources	<u>5,151,065</u>	<u>5,190,449</u>	<u>5,218,127</u>	<u>5,469,037</u>	<u>4,782,018</u>
Other financing sources:					
Transfers in	324,000	55,000	380,000	305,931	103,782
Lease purchase proceeds	149,505	187,179	0	100,081	0
Loan Proceeds	447,386	525,000	16,140,000	1,023,500	5,150,000
Bond proceeds	0	0	1,865,440	0	38,941,785
Sale or compensation for loss of capital assets	1,516	11,200	2,328,523	127,049	374,800
Total other financing sources	<u>922,407</u>	<u>778,379</u>	<u>20,713,963</u>	<u>1,556,561</u>	<u>44,570,367</u>
Beginning fund balance available for appropriation (2)	<u>11,225,945</u>	<u>22,488,116</u>	<u>8,775,708</u>	<u>9,646,030</u>	<u>10,107,357</u>
Total revenues and other financing sources	<u>\$ 112,500,041</u>	<u>\$ 124,475,107</u>	<u>\$ 125,658,603</u>	<u>\$ 100,848,779</u>	<u>\$ 138,891,577</u>

- (1) Revenues are recognized when measurable and available.
(2) Does not include fund balance reserved for encumbrances.
(3) General obligation bond refunding caused a significant increase in other financing sources.

Source: Oregon City School District No. 62 financial records

<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
\$ 26,068,553	\$ 25,502,789	\$ 24,975,105	\$ 23,871,454	\$ 22,762,087
124,930	116,206	152,595	503,229	1,171,775
686,866	734,963	815,560	885,721	1,015,553
2,429,741	2,300,130	2,135,845	2,173,808	2,368,037
1,078,586	1,073,674	1,010,723	955,005	909,067
5,134,714	5,387,244	5,419,613	4,573,009	4,563,965
<u>35,523,390</u>	<u>35,115,006</u>	<u>34,509,441</u>	<u>32,962,226</u>	<u>32,790,484</u>
831,681	626,308	829,557	838,293	925,721
15,712	36,031	14,357	39,032	6,048
<u>847,393</u>	<u>662,339</u>	<u>843,914</u>	<u>877,325</u>	<u>931,769</u>
35,159,868	33,006,857	34,646,910	35,705,252	38,191,727
3,202,382	2,869,333	2,918,005	2,598,097	2,467,907
664,479	666,651	699,404	552,452	771,877
1,788,584	41,884	35,070	1,743,115	1,912,944
408,128	467,139	529,330	1,296,093	138,210
<u>41,223,441</u>	<u>37,051,864</u>	<u>38,828,719</u>	<u>41,895,009</u>	<u>43,482,665</u>
1,346,261	1,318,297	1,295,363	981,347	918,640
3,655,357	7,972,623	6,254,982	5,104,670	3,513,615
46,937	151,454	169,230	187,791	203,936
<u>5,048,555</u>	<u>9,442,374</u>	<u>7,719,575</u>	<u>6,273,808</u>	<u>4,636,191</u>
254,228	0	267,600	1,498,558	682,314
0	134,263	355,846	429,897	0
437,000	353,175	450,000	0	0
0	0	0	0	0
5,859	11,873	0	7,429	0
<u>697,087</u>	<u>499,311</u>	<u>1,073,446</u>	<u>1,935,884</u>	<u>682,314</u>
9,723,219	10,703,003	9,106,170	10,940,290	13,312,720
<u>\$ 93,063,085</u>	<u>\$ 93,473,897</u>	<u>\$ 92,081,265</u>	<u>\$ 94,884,542</u>	<u>\$ 95,836,143</u>

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Expenditures and Other Financing Uses by Program - All Funds
Non GAAP Budgetary Basis
Last Ten Fiscal Years

	2016-17	2015-16 (2)	2014-15	2013-14
EXPENDITURES:				
Instruction:				
Regular instruction:				
Elementary	\$ 14,372,104	\$ 14,251,229	\$ 13,719,411	\$ 12,260,192
Middle school	7,631,239	7,307,658	7,194,299	6,947,250
High school	12,988,113	13,714,094	13,205,323	11,956,671
Special programs:				
Restrictive programs	6,402,457	6,683,427	7,139,815	7,771,745
Less restrictive programs	3,287,734	3,144,562	3,268,731	2,664,210
Charter School Payments	6,600,180	6,692,059	5,978,326	5,364,726
Other programs	3,711,524	3,634,393	3,373,772	3,426,048
Total instruction	<u>54,993,352</u>	<u>55,427,421</u>	<u>53,879,677</u>	<u>50,390,842</u>
Support services:				
Students:				
Guidance/health services	2,541,795	2,023,653	2,446,946	226,392
Psychological/speech services	2,232,570	2,082,733	1,974,578	1,647,988
Student support direction	2,304,888	2,169,853	1,208,656	648,173
Other	948,656	1,283,155	689,972	520,161
Instructional staff support:				
Educational media services	890,281	915,901	908,837	824,817
Other	1,287,669	1,248,430	1,278,354	1,372,967
General administration	497,773	494,339	504,257	484,734
School administration	4,265,074	4,303,339	4,245,195	4,085,597
Business:				
Direction and fiscal services	1,051,570	1,115,516	1,028,412	980,928
Operation and maintenance	5,861,254	5,892,487	6,033,602	5,761,176
Student transportation	5,445,168	5,549,379	5,198,941	4,867,074
Internal services	1,095,433	1,087,301	906,040	923,252
Central support	1,980,857	2,183,896	1,909,639	1,909,168
Total support services	<u>30,402,988</u>	<u>30,349,982</u>	<u>28,333,429</u>	<u>24,252,427</u>
Enterprise/community services:				
Food services	2,288,072	2,365,490	2,196,862	2,181,957
Community education	589,440	740,367	620,967	562,777
Child care services	957,620	934,813	1,005,769	826,062
Other	306,515	131,636	122,546	118,896
Total enterprise/community services	<u>4,141,646</u>	<u>4,172,305</u>	<u>3,946,144</u>	<u>3,689,692</u>
Facilities acquisition/construction	<u>1,523,239</u>	<u>11,143,553</u>	<u>979,299</u>	<u>1,262,617</u>
Debt service	<u>12,569,138</u>	<u>12,100,899</u>	<u>15,651,937</u>	<u>10,521,521</u>
Other financing uses: transfers out	<u>324,000</u>	<u>55,000</u>	<u>380,000</u>	<u>305,931</u>
Total expenditures and other financing uses	<u>\$ 103,954,363</u>	<u>\$ 113,249,161</u>	<u>\$ 103,170,486</u>	<u>\$ 90,423,030</u>

(1) General obligation bond refunding caused a significant one time increase in debt service.

(2) Facilities and Acquisition increase for construction of Transportation & Maintenance Facility

Source: Oregon City School District No. 62 financial records

<u>2012-13 (1)</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
\$ 11,756,731	\$ 13,645,117	\$ 14,052,476	\$ 14,294,358	\$ 15,914,562	\$ 16,391,698
6,845,765	4,729,225	4,806,718	4,493,396	5,027,982	5,103,699
11,344,259	10,521,316	10,337,936	9,377,355	9,955,994	10,272,138
5,641,289	6,797,976	7,260,110	7,379,153	7,622,240	7,626,444
2,589,100	2,350,910	2,150,269	1,728,072	1,295,701	1,246,896
4,474,877	4,049,138	3,448,867	3,248,048	3,018,308	2,427,481
4,719,677	3,018,686	3,170,164	3,068,667	3,145,682	3,083,914
<u>47,371,698</u>	<u>45,112,368</u>	<u>45,226,540</u>	<u>43,589,049</u>	<u>45,980,469</u>	<u>46,152,270</u>
1,981,756	1,844,879	1,844,971	1,775,702	2,136,038	2,121,840
1,495,002	1,507,156	1,562,486	1,527,203	1,518,587	1,539,936
640,761	584,591	790,625	694,619	661,788	794,735
377,411	371,812	353,907	343,519	411,912	465,877
839,025	731,435	876,564	872,024	1,212,366	1,073,879
1,181,789	1,268,741	1,630,880	1,230,815	910,871	1,066,042
448,930	449,077	445,286	441,680	464,482	439,998
3,965,966	4,269,794	4,243,399	4,205,069	4,398,272	4,248,711
905,903	815,108	793,863	814,134	948,959	908,775
5,541,183	5,335,483	5,666,180	5,388,339	6,342,202	6,161,713
4,815,672	4,473,922	4,441,106	4,404,866	4,300,861	4,230,666
844,715	888,363	916,711	1,102,660	982,714	951,434
2,193,608	2,007,322	2,127,197	2,518,515	2,143,925	2,281,486
<u>25,231,721</u>	<u>24,547,683</u>	<u>25,693,175</u>	<u>25,319,145</u>	<u>26,432,977</u>	<u>26,285,092</u>
2,127,201	2,105,418	2,055,817	2,010,733	2,096,774	1,982,490
464,667	455,671	452,202	354,357	317,366	286,656
869,937	813,656	699,402	717,688	718,712	661,342
188,247	174,669	237,175	165,426	226,292	178,029
<u>3,650,052</u>	<u>3,549,414</u>	<u>3,444,596</u>	<u>3,248,204</u>	<u>3,359,144</u>	<u>3,108,517</u>
4,462,018	25,256	0	7,269	0	83,874
<u>48,857,802</u>	<u>9,466,779</u>	<u>9,386,367</u>	<u>8,946,996</u>	<u>8,507,225</u>	<u>8,163,080</u>
103,782	254,228	0	267,600	1,498,558	682,314
<u>\$ 129,677,073</u>	<u>\$ 82,955,728</u>	<u>\$ 83,750,678</u>	<u>\$ 81,378,263</u>	<u>\$ 85,778,373</u>	<u>\$ 84,475,147</u>

OREGON CITY SCHOOL DISTRICT NO. 62

Clackamas County, Oregon

Public School System Support Data
For the Fiscal Year Ended June 30, 2017

A. **Energy Bill for Heating - All Funds**

All funds total expenditures for electricity and heating fuel, objects 325 and 326:

Function 2540

\$ 1,021,462

Function 2550

\$ 30,118

B. **Replacement of Equipment - General Fund**

General Fund expenditures for replacement of equipment (object code 542),
for all functions except 1113, 1122, 1132, 1140, 1300, 1400, 4150,
2550, 3100, and 3300 were:

\$ 0

INDEPENDENT AUDITORS' REPORT REQUIRED BY
OREGON STATE REGULATIONS



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December 5, 2017

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Oregon City School District No. 62 as of and for the year ended June 30, 2017, and have issued our report thereon dated December 5, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

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

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

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

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

1. In our testing of teacher experience, we noted one teacher that was underreported by one year of experience.

OAR 162-10-0230 Internal Control

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

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

A handwritten signature in cursive script that reads "Tara M. Kamp, CPA".

Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.

GRANT COMPLIANCE REVIEW

OREGON CITY SCHOOL DISTRICT NO. 62
 Clackamas County, Oregon
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2017

Federal Grantor, Pass through Grantor, Program Title	Pass-Through Organization	Pass-Through Entity Number	CFDA Number	2016 - 2017 Expenditures	Passed Through To Subrecipients
<u>U. S. Department of Education:</u>					
Title I Grants to Local Educational Agencies:	ODE	36042	84.010	\$ 210,670	\$ -
	ODE	41126	84.010	949,640	-
Total Title I Grants to Local Educational Agencies				<u>1,160,310</u>	<u>-</u>
<u>Special Education Cluster:</u>					
Special Education Grants to States	ODE	36940	84.027	43,311	-
	ODE	40349	84.027	13,378	-
	ODE	40919	84.027	5,867	-
	ODE	41595	84.027	1,185,034	-
	ODE	41997	84.027	4,500	-
	ODE	42721	84.027	12,730	-
Autism Contracts	Portland Public Schools	N/A	84.027	165,600	-
Total Special Education Grants to States				<u>1,430,420</u>	<u>-</u>
Special Education Preschool Grants	ODE	37232	84.173	5,523	-
	ODE	40659	84.173	11,798	-
Total Special Education Preschool Grants				<u>17,321</u>	<u>-</u>
<u>Total Special Education Cluster</u>				<u>1,447,741</u>	<u>(1) -</u>
Special Education - State Personnel Development	ODE	37330	84.323	<u>2,377</u>	<u>-</u>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	ODE	36239	84.367	57,480	-
	ODE	41381	84.367	180,969	-
Total Supporting Effective Instruction State Grants				<u>238,449</u>	<u>-</u>
English Language Acquisition State Grants	ODE	36352	84.365	18,971	-
	ODE	41788	84.365	29,008	-
	ODE	36373	84.365	3,048	-
Total English Language Acquisition State Grants				<u>51,027</u>	<u>-</u>
Rehabilitation Services Vocational Rehabilitation Grants to States	OR Dept. of Human Resources	143288	84.126	<u>96,834</u>	<u>-</u>

(1) Major Program

Note: The Schedule of Expenditures of Federal Awards reflects the basis of accounting used for the governmental fund types described in the Notes to the Financial Statements.

OREGON CITY SCHOOL DISTRICT NO. 62
Clackamas County, Oregon
Schedule of Expenditures of Federal Awards (continued)
For the Fiscal Year Ended June 30, 2017

Federal Grantor, Pass through Grantor, Program Title	Pass-Through Organization	Pass-Through Entity Number	CFDA Number	2016 - 2017 Expenditures	Passed Through To Subrecipients
<u>U.S. Department of Education (continued)</u>					
Education for Homeless Children and Youth	Clackamas County ESD	40528	84.196	\$ 396,289	\$ -
	Clackamas County ESD	36390	84.196	120,568	-
Total Education for Homeless Children and Youth				516,857	-
Migrant Education State Grant Program	Clackamas County ESD	N/A	84.011	4,121	-
	Clackamas County ESD	N/A	84.011	13,146	-
Total Migrant Education State Grant Program				17,267	-
Career and Technical Education -- Basic Grants to States	Clackamas County ESD	40307	84.048	25,818	-
	Clackamas County ESD	40307 - Techfest	84.048	1,998	-
Total Career and Technical Education -- Basic Grants to States				27,816	-
Total U.S. Department of Education				3,558,678	-
<u>U.S. Department of Agriculture:</u>					
Passed through Oregon Department of Education:					
<u>Child Nutrition Cluster:</u>					
National School Lunch Program	ODE	N/A	10.555	967,589	-
School Breakfast Program	ODE	N/A	10.553	241,369	-
Noncash Assistance: Commodities	ODE	N/A	10.555	171,101	-
Summer Food Service Program for Children	ODE	N/A	10.559	39,420	-
Total Child Nutrition Cluster				1,419,479	-
Child and Adult Care Food Program	ODE	N/A	10.558	28,300	-
Cash Commodities	ODE	N/A	10.558	1,731	-
Total Child and Adult Care Food Program				30,031	-
Federal Forest Fees	Clackamas County	N/A	10.665	15,466	-
Total U.S. Department of Agriculture				1,464,976	-
<u>U.S. Department of Health and Human Services:</u>					
Drug-Free Communities Support Programs Grants	SAMHSA	1H795PO19745-01	93.276	127,411	-
Total U.S. Department of Health and Human Services				127,411	-
Total Grants Expended or Passed Through to Subrecipients				\$ 5,151,065	\$ -
Total Federal Assistance				\$ 5,151,065	\$ -



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December 5, 2017

To the Board of Directors
Oregon City School District No. 62
Clackamas County, Oregon

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Oregon City School District No. 62 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 5, 2017.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Tara M. Kamp, CPA". The signature is written in a cursive, flowing style.

Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.



December 5, 2017

To the Board of Directors
Oregon City School District No. 62
Clackamas County, Oregon

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited Oregon City School District No. 62's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2017. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Major Federal Program

In our opinion, Oregon City School District No. 62 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.

OREGON CITY SCHOOL DISTRICT NO. 62
WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(s) indentified that are not considered to be material weaknesses?

☐ yes ☒ none reported

Noncompliance material to the financial statements noted?

☐ yes ☒ no

Any GAGAS findings disclosed that are required to be reported in accordance with section 515(d)(2) of the Uniform Guidance?

☐ yes ☒ no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(s) indentified that are not considered to be material weaknesses?

☐ yes ☒ none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) the Uniform Guidance?

☐ yes ☒ no

IDENTIFICATION OF MAJOR PROGRAMS

CFDA NUMBER

NAME OF FEDERAL PROGRAM CLUSTER

84 .027, 84.173

Special Education Cluster

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

Auditee qualified as low-risk auditee?

☒ yes ☐ no

OREGON CITY SCHOOL DISTRICT NO. 62
WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL EXPENDITURES

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal expenditures includes federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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