# REYNOLDS SCHOOL DISTRICT NO. 7
# MULTNOMAH COUNTY, OREGON

## FINANCIAL REPORT

## FOR THE YEAR ENDED JUNE 30, 2012

12700 SW 72nd Ave.
Tigard, OR 97223

**MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7**
MULTNOMAH COUNTY, OREGON

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

BOARD OF DIRECTORS AS OF JUNE 30, 2012

| NAME | TERM EXPIRES |
|---|---|
| Theresa Delaney-Davis, Chair | June 30, 2013 |
| Dane Nickerson, Vice Chair | June 30, 2015 |
| Robert Lee | June 30, 2013 |
| Valerie Tewksbury | June 30, 2013 |
| Joseph Teeny | June 30, 2013 |
| Tamara Schaffner | June 30, 2015 |
| Bruce McCain | June 30, 2015 |

The above Board Members receive mail at the address below:

Linda Florence, Superintendent

Administrative Office
1204 N.E. 201st Avenue
Fairview, Oregon 97024

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MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

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MULTNOMAH COUNTY, OREGON

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PAULY, ROGERS AND CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

• 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
• (503) 620-2632 • FAX (503) 684-7523

December 5, 2012

To the Board of Directors
Multnomah County School District No. 7
Multnomah County, Oregon

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Multnomah County School District No. 7 as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. 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 the Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the discretely presented component units were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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 Multnomah County School District No. 7 as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 5, 2012, on our consideration of the internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and do not provide an opinion on the internal control over financial reporting or compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the table of contents, 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 Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Pauly, Rogers and Co. P.C.

PAULY, ROGERS AND CO., P.C.

Reynolds School District
Administration Offices
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# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

As management of Reynolds School District # 7 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2012.

Since the focus of the Management's Discussion and Analysis (MD&A) is on the current year activities, resulting changes and currently known facts. The MD&A should be read in conjunction with the District's financial statements, including the accompanying notes. Additionally, as a required part of the MD&A, comparative information for the current year is presented for financial analysis to enhance the understanding of the District's financial performance.

## Financial Highlights

- In the government-wide financial statements, the assets of the District exceeded its liabilities at June 30, 2012 by $39,991,283. Of this amount, the District invested $30,190,718 in capital assets, net of related debt, $1,300,464 is restricted and the remaining $8,500,101 is unrestricted and available to meet the District's ongoing obligations to citizens and creditors.
- At June 30, 2012, the District's total net assets decreased by $1,215,013. This decrease is primarily from an increase in cash and investments (2.22 million), a decrease in accounts receivable (2.66 million), a decrease in prepaid PERS (3.18 million), a decrease in depreciable capital assets (3.22 million), and a decrease in total liabilities (7.40 million).
- At June 30, 2012, the District's governmental funds reported combined ending fund balances of $23,080,342. This represents a decrease of $850,240 from the prior year. Approximately 77% of this total amount, $17,762,803 is unassigned and available for spending at the District's discretion, but subject to restrictions of fund type.
- At June 30, 2012, the General Fund had a fund balance of $18,880,555 including $520,694 from prior year's adjustment, and a GASB 54 reporting requirement of $894,447 from Early Retirement Fund, or about 20% of General Fund expenditures.
- GASB54 requires the Early Retirement Fund's ending fund balance be reported with the General Fund, instead of reporting with Other Government funds as in prior years.
- During the fiscal year, the District received a one-time grant of $2.7 million from ODE for the Education Stability Fund -School Year Subaccount (SB 5552 & SB 5553). Receipts of this fund allowed the District to maintain full school year, restore programs such as counseling, Library, Music, PE and avert layoffs. This fund also funded the after school program and textbook replacement.
- The District's total debt decreased by $5,956,588 during fiscal year 2012. Principal paid on the existing General Obligations and Pension Obligation bonds contributed to this decrease.

This Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** are designed to provide readers with a broad overview of the District's finances in a manner similar to private-sector businesses.

- The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

- The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). As is typical for a school district, the Reynolds School District has governmental activities, such as regular and special education programs, child nutrition services, transportation, administration, and facilities improvements and construction. These activities are primarily financed through property taxes, Oregon's State School Fund, and other intergovernmental revenues. The District does not have any business-type activities.

The government-wide financial statements can be found on pages 4 and 5 of this report.

***Fund Financial Statements*** are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of the District are governmental funds. The School Board sets appropriations within every fund each year (for instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, transfers, contingency, and unappropriated ending fund balance and other GASB 54 classifications) that establish the legal limits for expenditures of the District.

***Governmental funds*** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term* inflows and outflows of available resources, as well as balances of available resources at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five major governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Federal Programs Fund, PERS Bond Fund, Debt Service Fund, and Capital Projects Fund. The District classifies these five funds as major funds.

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

The basic governmental fund financial statements can be found beginning on pages 6-11 of this report.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 12 to 33 of this report.

**Other information** is included on the basic financial statements and accompanying notes. The State of Oregon requires governmental entities to provide financial information prepared in accordance with Oregon's Budgetary Law (Budgetary Basis). The District also includes additional supplemental information to assist the users of the financial statements in gaining an understanding of the District's financial position. Other information (both required and additional) can be found on pages 34-58 of this report.

Additionally, the Federal Government and the State of Oregon require Governmental entities to include additional auditor reports and schedules. The 2011-2012 Auditors' Comments and Disclosure includes the auditors' report on internal accounting control and other matters. The Grant Compliance review includes a schedule of Federal Awards along with reports on internal control, program compliance and schedule of prior and current year audit findings relative to Federal awards. The required auditors' comments, disclosures and grant compliance review information can be found on pages 59-67 of this report.

## Government-Wide Financial Analysis

### Net assets

Net assets may serve over time as a useful indicator of a government's financial position. The District's assets are more than liabilities by $39,991,283.

Capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 52% of total assets, similar to the prior year. There were capital additions (vehicle and equipments) in fiscal year 2012. The remaining assets consist mainly of investments, cash, inventories, grant and property taxes receivable and prepaid PERS liability.

The District's largest liability, or approximately 90%, similar to the prior year, is for the repayment of general obligations, pension (PERS) bonds, notes and lease contract payables. Current liabilities, representing about 10% (5% without the current portion of long-term debt) of the District's total liabilities, consist almost entirely of payables on salaries and benefits, the current portion of compensated absences, other vendor payables, and the current portion of long-term debt.

Net Assets at June 30, 2012 as compared to June 30, 2011:

| | Governmental Activities | | | |
|---|---|---|---|---|
| | 2012 | 2011 | Increase (Decrease) | % |
| **Assets** | | | | |
| Current and other assets | $ 83,925,163 | $ 87,455,541 | $ (3,530,378) | (4.0) |
| Net capital assets | 90,993,024 | 94,210,871 | (3,217,847) | (3.4) |
| Total assets | 174,918,187 | 181,666,412 | (6,748,225) | (3.7) |
| **Liabilities** | | | | |
| Current liabilities | 13,856,387 | 13,467,176 | 389,211 | 2.9 |
| Long term liabilities | 121,070,517 | 126,992,940 | (5,922,423) | (4.7) |
| Total liabilities | 134,926,904 | 140,460,116 | (5,533,212) | (3.9) |
| **Net Assets** | | | | |
| Invested in Capital Assets, net of related debt | 30,190,718 | 27,693,771 | 2,496,947 | 9.0 |
| Restricted | 1,300,464 | 1,142,164 | 158,300 | 13.9 |
| Unrestricted | 8,500,101 | 12,370,361 | (3,870,260) | (31.3) |
| **Total net assets** | **$ 39,991,283** | **$ 41,206,296** | **$ (1,215,013)** | **(2.9)** |

The District's net assets are largely invested in capital assets (e.g, land, buildings, vehicles and equipments), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students and other District residents; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

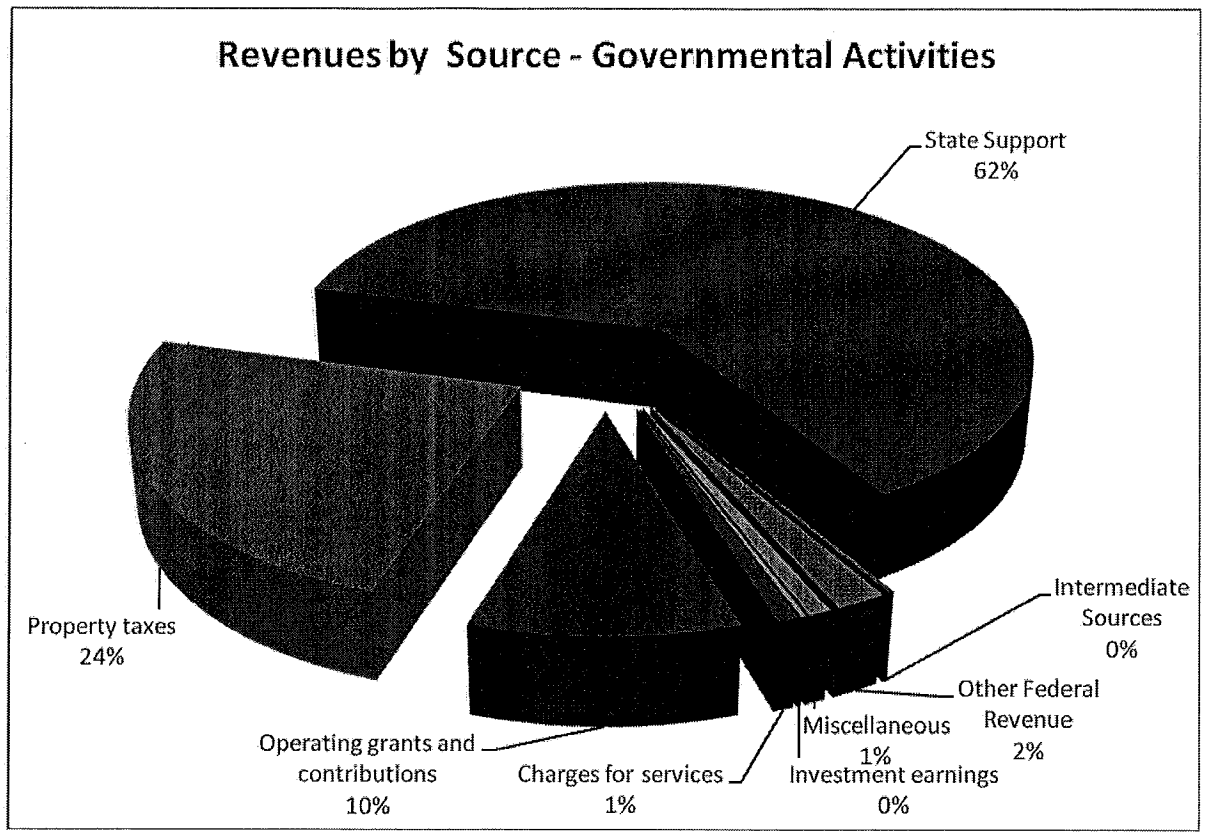
Some key elements of change in the governmental activities net assets for the year ending June 30, 2012, and 2011 are as follows:

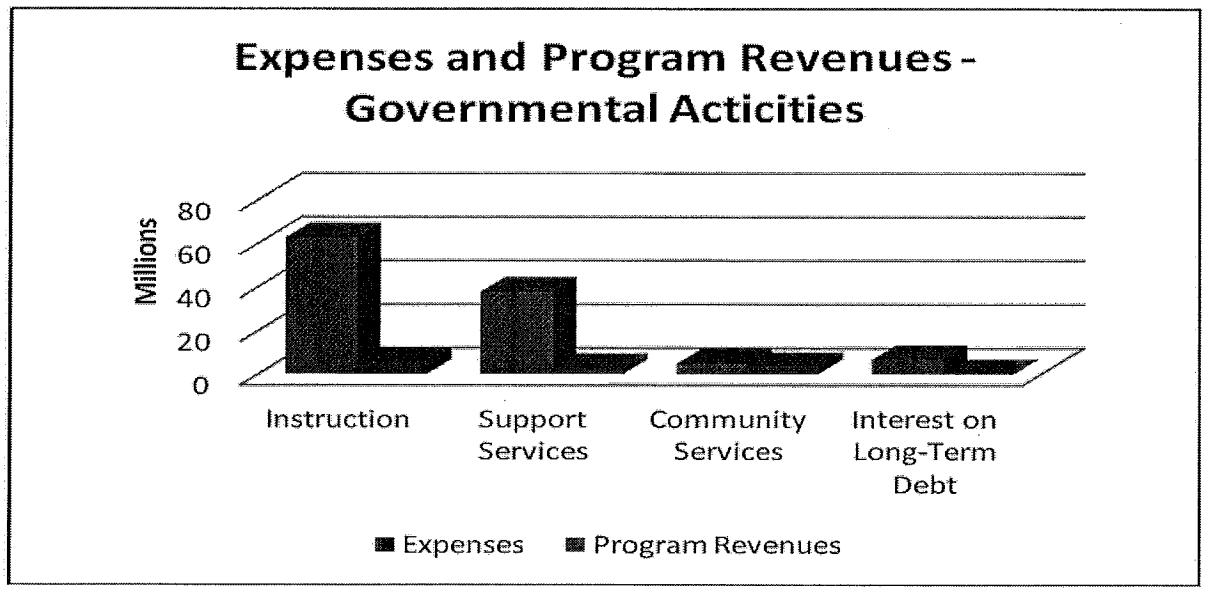
| | 2012 | 2011 | Increase (Decrease) | % |
|---|---|---|---|---|
| **Revenues** | | | | |
| Program revenues | | | | |
| Charges for services | $ 842,597 | $ 1,439,364 | $ (596,767) | (41.5) |
| Operating grants and contributions | 12,974,914 | 15,716,230 | (2,741,316) | (17.4) |
| General revenues | | | | |
| Property taxes | 27,083,913 | 26,255,760 | 828,153 | 3.2 |
| State Support | 69,601,801 | 63,381,118 | 6,220,683 | 9.8 |
| Intermediate Sources | 230,292 | 138,681 | 91,611 | 66.1 |
| Other Federal Revenue | 35,611 | 5,212,262 | (5,176,651) | (99.3) |
| Miscellaneous | 1,014,390 | 1,142,673 | (128,283) | (11.2) |
| Investment earnings | 225,572 | 90,233 | 135,339 | 150.0 |
| Total revenues | 112,009,090 | 113,376,321 | (1,367,231) | (1.2) |
| **Expenses** | | | | |
| Instruction | 63,964,595 | 63,190,614 | 773,981 | 1.2 |
| Support services | 38,681,405 | 38,152,331 | 529,074 | 1.4 |
| Enterprise and communtiy services | 4,389,777 | 4,910,252 | (520,475) | (10.6) |
| Loss on Equity Interest in CAL | 60,573 | 43,976 | 16,597 | 37.7 |
| Interest on long-term debt | 6,644,672 | 6,623,305 | 21,367 | 0.3 |
| Total expenses | 113,741,022 | 112,920,478 | 820,544 | 0.7 |
| **Increase in net assets** | (1,731,932) | 455,843 | (2,187,775) | (479.9) |
| **Net assets, beginning as restated,** | 41,206,296 | 39,478,262 | 1,728,034 | 4.4 |
| Prior Period Adjustment | 516,919 | 1,272,191 | (755,272) | (59.4) |
| Net assets, ending | $ 39,991,283 | $ 41,206,296 | $ (1,215,013) | (2.9) |

**Revenues**

The decrease in total revenues of $1,367,231 from the prior year is a net result in an increase in the State School Fund funding received due to the Education Stability Fund -School Year Subaccount (SB 5552 & SB 5553), and an increase in the State and other programs, offset by a decrease in the Federal and Program Revenues.

General Fund revenues account for approximately 81% of all funds revenues. Property taxes are split between General Fund tax levies, and Debt Service requirements. The State School Fund (SSF) is the largest revenue source at $69,601,801 or 62% of total revenues. Each Oregon school district receives money from the state based upon an Average Daily Membership (ADMw) formula, weighted for various demographic considerations. The formula is allocated by multiplying a dollar rate per student established by the legislature every biennium. All General Fund Ad Valorem Taxes, County School Fund, State School Support, Common School Fund, and Federal Forest Fees are included in the SSF formula. As a safety net, each district may utilize the highest ADMw from two of the most recent fiscal years in the calculation.




**Expenses**

Expenses related to governmental activities are presented in four broad functional categories, Instruction, Support Services, Enterprise and Community Services and Interest on Long Term Debt. Costs of direct classroom instruction activities account for 56% of the total expenses of $113,680,449. In addition, approximately 34% of the costs in support services relate to students, instructional staff and school administration.

## 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 relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* and any unused *budgeted contingencies* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. The District spent $1,100,000 of the General Fund contingency in 2011-12 to fund for labor costs due to negotiated contracts.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $23,080,342. Of this amount, $17,762,803 constitutes unassigned fund balance, which is available for spending at the District's discretion, but subject to restrictions of fund type.

### General Fund

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, the total ending fund balance was $18,880,555. This amount represents $17,986,108 of the General Fund and $894,447 of the Early Retirement Fund. GASB 54 requires the Early Retirement Fund's ending fund balance be reported with the General Fund, instead of reporting with Other Government Funds as in prior years.

As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund revenue. The General Fund total ending fund balance represents 82% of total all funds balance, and 21% of General Fund revenues.

General Fund ending fund balance decreased by $625,798, or 3% from prior year due to:

- An increase in the State Sources of $6.2 million due to a one time Education Stability Fund
- A decrease in the Federal Sources of $5.2 million due to the end of funding from the American Recovery and Reinvestment Act of 2009
- An increase in total expenditures of $1.9 million due to escalating labor and operating costs. This includes a Board approved appropriation transfer of $1.1 million from contingency to instruction, support and community services to fund labor costs due to negotiated contracts.

### Federal Programs Fund

Revenues and expenditures in the Federal Programs Fund decreased from $11,565,392 in 2010-11 fiscal year, to $8,352,579 in 2011-12 fiscal year, a decrease of $3,212,813. This is primarily due to the end of funding from the American Recovery and Reinvestment Act of 2009 for Title and IDEA grants.

### Other Governmental Funds

The Other Governmental Funds consists of Nutrition Services, State and Local Programs and Self Insurance Funds. This fund has a total fund balance increased from $1,516,578 in 2010-11 fiscal year, to $2,377,694 in 2011-12 fiscal year, an increase of $861,116, or 57% from prior year, primarily due to an increase in contracts and revenues.

## Capital Asset and Debt Administration

### Capital assets

The District's investment in capital assets for its governmental activities as of June 30, 2012 amounts to $90,993,024, net of accumulated depreciation. This investment in capital assets includes land, buildings, equipment, and vehicles. Capital assets for the prior year amounted to $94,210,871, and reflect a reduction of $3,217,847. This reduction is the net amount of current year's depreciation and capital asset acquisitions (vehicle and equipments) in fiscal year 2012.

**Capital Assets (Net of Depreciation) includes the following:**

| | June 30, 2012 | June 30, 2011 | Total Percentage Change |
|---|---|---|---|
| Land | $ 18,236,549 | $ 18,236,549 | 0.00% |
| Buildings and improvements | 70,953,565 | 73,321,643 | -3.23% |
| Vehicles and equipment | 1,802,910 | 2,652,679 | -32.03% |
| Total assets | $ 90,993,024 | $ 94,210,871 | |

Additional information on the District's capital assets can be found in note 5 on page 21 of this report

**Long-term debt**. At the end of the fiscal year, the District had a total outstanding long-term debt of $128,654,203 consisting of general obligation debt and pension obligation debt, net of unamortized premium/discount. There was $24,080,191 on outstanding Full Faith Credit Obligations, $102,178,396 on Bonds payable and $442,115 on capital leases payable.

Outstanding Long-Term Debt includes the following:

| | June 30, 2012 | June 30, 2011 | Total Percentage Change |
|---|---|---|---|
| Bonds payable | $ 102,178,396 | $ 108,607,902 | -5.92% |
| Capital Leases | 442,115 | 1,189,944 | -62.85% |
| Full Faith Credit Obligations | 24,080,191 | 24,747,156 | -2.70% |
| Net OPEB Obligation | 1,559,397 | - | N/A |
| Net Pension Obligation | 394,104 | - | N/A |
| Total Long-Term Debt | $ 128,654,203 | $ 134,545,002 | |

Additional information on the District's long-term debt can be found in note 8 on pages 22 to 27 of this report

## Economic Factors and Next Year's Budgets

- The most significant economic factor for the District is the State of Oregon's State School Fund. For the year ending June 30, 2012, the State School Fund – General Fund provided 63% of the District's General Fund Resources and 50% of District's total resources. The District's 12-13 budget is based on $5.7 billion in State Education funding for K-12 for the 2011-13 biennium.
- The District enrollment is expected to remain flat in near term as a result of the uncertain housing market.
- The costs of salaries and related benefits are expected to increase in 2012-13. The utilities costs continue to escalate.
- In the 2012-13, the District plans to use 2.3 million in reserves (contingency) in order to meet the 2012-13 expenditures. Additional variations in actual state funding and negotiated contracts communicated after the adoption of the budget will be addressed throughout the year.
- Unemployment rate in Portland, Oregon has declined slightly, from 9.4% in June 2011 to 8.5% in June 2012.
- The District has also analyzed its financial holdings and doesn't anticipate any liquidity problems in the next 12 months.
- School Board policy mandates that the District budget a minimum of 2% of its General Fund as contingency, and that a 5% fund balance be maintained. The reserve is maintained to absorb economic downturns, state revenue-sharing reductions and other revenue shortfalls, and will prudently be used when needed to provide stability of core programs and legally required activities to every child
- The District's Budget Committee and School Board considered all of these factors while preparing the District's budget for the 2012-13 fiscal year.
- In spite of the uncertainty in today's economy and continued funding challenges, the District, through prudent fiscal management, maintains a healthy financial position to provide the quality education deserved by every child.

### 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 the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be address to the Chief Financial Officer at 1204 NE 201st Ave, Fairview OR 97024. Electronic copies of this report may be found at the district website http://www.reynolds.k12.or.us/dept/business.html.

Respectfully submitted,

Signed: _____

Title: Superintendent

Signed: _____

Title: Chief Financial Officer

*A great place for learning.*

www.reynolds.k12.or.us/schools/

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**MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7**
MULTNOMAH COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

STATEMENT OF NET ASSETS
June 30, 2012

| | Governmental Activities | Component Units: Multisensory Learning Academy | Component Units: Arthur Academy | Component Units: ACE Academy |
|---|---|---|---|---|
| ASSETS: | | | | |
| Cash and Investments | $ 26,365,685 | $ 458,242 | $ 473,330 | $ 206,624 |
| Receivables: | | | | |
| Accounts and Grants | 2,217,575 | 119,729 | 28,337 | 200 |
| Property Taxes | 1,736,795 | - | - | - |
| Supply Inventories & Assets held for resale | 239,170 | - | - | - |
| Prepaid PERS Assets | 50,928,435 | - | - | - |
| Other Prepaid Expenses | - | 10,279 | 5,684 | - |
| Bond Issuance Costs | 801,040 | 31,953 | - | - |
| Equity in CAL | 1,636,463 | - | - | - |
| Capital Assets, Non-Depreciable | 18,236,549 | 1,432,867 | - | - |
| Capital Assets, Depreciable, Net | 72,756,475 | 1,986,164 | 721,541 | - |
| Total Assets | 174,918,187 | 4,039,234 | 1,228,892 | 206,824 |
| LIABILITIES: | | | | |
| Accounts Payable | 1,173,799 | 7,935 | 9,549 | 7,619 |
| Accrued Salaries and Benefits | 4,704,599 | 148,471 | 65,747 | 26,446 |
| Unearned Revenue | - | - | - | 955 |
| Accrued Vacation Payable | 288,412 | - | - | - |
| Bond & Note Interest Payable | 105,891 | - | - | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 7,583,686 | 54,412 | 131,809 | - |
| Due in more than one year | 119,117,016 | - | - | - |
| Net Pension Obligation | 394,104 | - | - | - |
| Net Other Post Employment Benefit Obligation | 1,559,397 | 2,097,729 | - | - |
| Total Liabilities | 134,926,904 | 2,308,547 | 207,105 | 35,020 |
| NET ASSETS: | | | | |
| Invested in Capital Assets, Net of Related Debt | 30,190,718 | 1,266,890 | 589,732 | - |
| Restricted for Debt Service | 113,653 | - | - | - |
| Restricted for Special Projects | 1,186,811 | - | - | - |
| Unrestricted | 8,500,101 | 463,797 | 432,055 | 171,804 |
| Total Net Assets | $ 39,991,283 | $ 1,730,687 | $ 1,021,787 | $ 171,804 |

See accompanying notes to the basic financial statements

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the year ended June 30, 2012

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets: Governmental Activities | Component Units: Multisensory Learning Academy | Component Units: Arthur Academy | Component Units: ACE Academy |
|---|---|---|---|---|---|---|---|
| Instruction | $ 63,964,595 | $ 97,507 | $ 5,980,218 | $ (57,886,870) | $ (949,101) | $ (662,383) | $ (235,400) |
| Support Services | 38,681,405 | - | 2,722,188 | (35,959,217) | (534,550) | (306,675) | (345,880) |
| Community Services | 4,389,777 | 745,090 | 4,272,508 | 627,821 | 1,832 | - | (2,234) |
| Unallocated Depreciation | - | - | - | - | - | (52,136) | - |
| Interest on Long-Term Debt | 6,644,672 | - | - | (6,644,672) | (146,079) | (12,038) | - |
| Total Governmental Activities | $ 113,680,449 | $ 842,597 | $ 12,974,914 | (99,862,938) | (1,627,898) | (1,033,232) | (583,514) |
| Component Units: | | | | | | | |
| M.L.A. | $ 1,634,876 | $ 3,536 | $ 3,442 | | (1,627,898) | | |
| Arthur Academy | $ 1,034,032 | $ - | $ 800 | | | (1,033,232) | |
| ACE Academy | $ 770,563 | $ - | $ 187,049 | | | | (583,514) |
| General Revenues | | | | | | | |
| Property Taxes Levied for General Purposes | | | | 20,846,583 | - | - | - |
| Property Taxes Levied for Debt Service | | | | 6,237,330 | - | - | - |
| Other Federal Revenue | | | | 35,611 | - | - | - |
| State Support | | | | 69,601,801 | 1,864,890 | 1,064,750 | 643,390 |
| Intermediate Sources | | | | 230,292 | - | - | - |
| Earnings on Investments | | | | 225,572 | - | 65 | - |
| Loss on Equity - CAL | | | | (60,573) | - | - | - |
| Miscellaneous | | | | 1,014,390 | 11,366 | 56,715 | 25,052 |
| Total General Revenues | | | | 98,131,006 | 1,876,256 | 1,121,530 | 668,442 |
| Change in net assets | | | | (1,731,932) | 248,358 | 88,298 | 84,928 |
| Net assets beginning of year | | | | 41,206,296 | 1,482,329 | 933,489 | 86,876 |
| Prior Period Adjustment | | | | 516,919 | - | - | - |
| Net assets end of year | | | | $ 39,991,283 | $ 1,730,687 | $ 1,021,787 | $ 171,804 |

See accompanying notes to the basic financial statements

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

| | GENERAL FUND | FEDERAL PROGRAMS FUND | DEBT SERVICE FUND | PERDS BOND FUND | CAPITAL PROJECTS FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|---|---|
| ASSETS: | | | | | | | |
| Cash & Equity in Pooled Cash | $ 22,826,411 | $ - | $ - | $ 94,593 | $ 1,708,440 | $ 1,736,241 | $ 26,365,685 |
| Receivables: | | | | | | | |
| Accounts and Grants | 275,559 | 1,451,761 | 42,510 | - | - | 447,745 | 2,217,575 |
| Property Taxes | 1,356,809 | - | 379,986 | - | - | - | 1,736,795 |
| Interfund Receivable | 1,301,302 | - | - | - | - | - | 1,301,302 |
| Inventory & Property Held for resale | 16,603 | - | - | - | - | 222,567 | 239,170 |
| Total Assets | $ 25,776,684 | $ 1,451,761 | $ 422,496 | $ 94,593 | $ 1,708,440 | $ 2,406,553 | $ 31,860,527 |
| LIABILITIES, AND FUND BALANCES: | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts Payable | $ 940,299 | $ 204,641 | $ - | $ - | $ - | $ 28,859 | $ 1,173,799 |
| Accrued Salaries and Benefits | 4,704,599 | - | - | - | - | - | 4,704,599 |
| Deferred Revenue | 1,251,231 | - | 349,254 | - | - | - | 1,600,485 |
| Interfund Payable | - | 1,247,120 | 54,182 | - | - | - | 1,301,302 |
| Total Liabilities | 6,896,129 | 1,451,761 | 403,436 | - | - | 28,859 | 8,780,185 |
| Fund Balances (Deficit): | | | | | | | |
| Nonspendable | 16,603 | - | - | - | - | 222,567 | 239,170 |
| Restricted: | | | | | | | |
| Debt Service | - | - | 19,060 | 94,593 | - | - | 113,653 |
| State & Local Programs | - | - | - | - | - | 76,372 | 76,372 |
| Food Service | - | - | - | - | - | 1,110,439 | 1,110,439 |
| Committed: | | | | | | | |
| Early Retirement | 894,447 | - | - | - | - | - | 894,447 |
| Self Insurance | - | - | - | - | - | 388,914 | 388,914 |
| Assigned | - | - | - | - | 1,708,440 | 786,104 | 2,494,544 |
| Unassigned | 17,969,505 | - | - | - | - | (206,702) | 17,762,803 |
| Total Fund Balances (Deficit) | 18,880,555 | - | 19,060 | 94,593 | 1,708,440 | 2,377,694 | 23,080,342 |
| Total Liabilites and Fund Balances | $ 25,776,684 | $ 1,451,761 | $ 422,496 | $ 94,593 | $ 1,708,440 | $ 2,406,553 | $ 31,860,527 |

See accompanying notes to the basic financial statements

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

**Reconciliation of the Governmental Funds**
**Balance Sheet to the Statement of Net Assets**
**June 30, 2012**

| | | |
|---|---|---|
| TOTAL FUND BALANCES-GOVERNMENTAL FUNDS | | $ 23,080,342 |
| Capital assets are not financial resources and therefore are not reported in the governmental funds. | | |
| Cost | $ 152,111,046 | |
| Accumulated Depreciation | (61,118,022) | 90,993,024 |
| A portion of the property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore are not reported as revenue in the governmental funds. | | 1,600,485 |
| The unamortized portion of prepaid pension costs and bond issuance costs is not available to pay for current period expenditures, and therefore is not reported in the governmental funds. | | |
| Prepaid pension costs | 50,928,435 | |
| Bond issuance costs | 801,040 | 51,729,475 |
| Equity interest in the Center for Advanced Learning (CAL) is not reported in the governmental funds: | | 1,636,463 |
| Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. | | |
| Long term Liabilities: | | |
| Accrued Vacation Payable | (288,412) | |
| Bond & Note Interest Payable | (105,891) | |
| Capital Leases | (442,115) | |
| Net Pension Obligation | (394,104) | |
| Net OPEB Obligation | (1,559,397) | |
| Qualified Zone Academy Bonds | (856,170) | |
| Full Faith and Credit Obligation Payable | (24,080,191) | |
| Pension obligation bonds payable | (65,042,226) | |
| General obligation bonds payable | (36,280,000) | (129,048,506) |
| TOTAL NET ASSETS | | $ 39,991,283 |

See accompanying notes to the basic financial statements

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2012

| REVENUES: | GENERAL FUND | FEDERAL PROGRAMS FUND | DEBT SERVICE FUND | PERS BOND FUND | CAPITAL PROJECTS FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|---|---|
| Local Sources | $ 21,539,797 | $ - | $ 6,220,227 | $ 5,717,116 | $ 8,687 | $ 1,183,102 | $ 34,668,929 |
| Intermediate Sources | 26,443 | - | - | - | 46,090 | 355,945 | 428,478 |
| State Sources | 69,540,611 | - | - | - | - | 61,190 | 69,601,801 |
| Federal Sources | 75,446 | 8,352,579 | - | - | - | 4,582,500 | 13,010,525 |
| Total Revenues | 91,182,297 | 8,352,579 | 6,220,227 | 5,717,116 | 54,777 | 6,182,737 | 117,709,733 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 55,659,333 | 5,669,397 | - | - | - | 319,659 | 61,648,389 |
| Support Services | 35,495,794 | 2,631,716 | - | - | - | 82,348 | 38,209,858 |
| Community Services | 145,503 | 43,133 | - | - | - | 4,813,269 | 5,001,905 |
| Capital Outlay | 212,803 | 8,333 | - | - | - | 207,570 | 428,706 |
| Debt Service | 727,310 | - | 6,323,775 | 5,715,490 | 1,038,413 | - | 13,804,988 |
| Total Expenditures | 92,240,743 | 8,352,579 | 6,323,775 | 5,715,490 | 1,038,413 | 5,422,846 | 119,093,846 |
| Revenues over (under) expenditures | (1,058,446) | - | (103,548) | 1,626 | (983,636) | 759,891 | (1,384,113) |
| Other Financing Sources, (Uses): | | | | | | | |
| Capital Lease | 16,954 | - | - | - | - | - | 16,954 |
| Transfers In | 800,000 | - | - | - | - | 105,000 | 905,000 |
| Transfers Out | (905,000) | - | - | - | - | - | (905,000) |
| Total other financing sources (Uses) | (88,046) | - | - | - | - | 105,000 | 16,954 |
| Net Change in Fund Balance | (1,146,492) | - | (103,548) | 1,626 | (983,636) | 864,891 | (1,367,159) |
| Fund balance, beginning | 19,506,353 | - | 122,608 | 92,967 | 2,692,076 | 1,516,578 | 23,930,582 |
| Prior Period Adjustment | 520,694 | - | - | - | - | (3,775) | 516,919 |
| Fund balance, ending | $ 18,880,555 | $ - | $ 19,060 | $ 94,593 | $ 1,708,440 | $ 2,377,694 | $ 23,080,342 |

See accompanying notes to the basic financial statements

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

**Reconcilation of the Governmental Funds**
**Statement of Revenues, Expenditures, and Changes in Fund Balances**
**to the Statement of Activities**
**For the year ended June 30, 2012**

| | | |
|---|---|---|
| TOTAL NET CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS | | $ (1,367,159) |
| Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period: | | |
| Expenditures for capital assets | $ 406,752 | |
| Less current year depreciation | (3,624,599) | (3,217,847) |
| Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Assets, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability government-wide. | | |
| Issuance of New Debt | (12,893) | |
| Principal Payments on Long-Term-Debt | 7,894,639 | 7,881,746 |
| Governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. | | |
| Amortization of bond premiums | 101,243 | |
| Accretion of discount on pension obligation bonds | (138,689) | |
| Amortization of issuance costs | (59,391) | (96,837) |
| Change in net pension obligation | | (394,104) |
| Change in net OPEB obligation | | (1,559,397) |
| In the governmental funds, the current year payment to PERS to advance fund the District's UAL is charged as expenditures . In the Statement of Net Assets it is reported as an asset and amortized over the life of the pension bonds issued to fund the payment. This is the net effect of these transactions: | | (3,183,027) |
| In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an expense when due. | | 26,399 |
| Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied. | | 312,928 |
| Equity interest in the Center for Advanced Learning (CAL) is not reported in the governmental funds: | | (60,573) |
| Compensated absences are recognized as expenditure in the governmental funds when they are paid. In the Statement of Activities these liabilities are recognized as an expenditure when earned. | | 39,391 |
| Accounts receivable not received within 60 days of year end is not accrued in the Governmental Fund Statements, but all receivables are accrued in the Government-Wide Statements, regardless of when they were received. | | (113,452) |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | | $ (1,731,932) |

See accompanying notes to the basic financial statements

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2012

| | Private-purpose Trust Funds | | | | Agency Fund |
|---|---|---|---|---|---|
| | Homeless Shoe Project Fund | R.S. Reynolds Scholarship Fund | Mark Whitehead Scholarship Fund | Skip Squires Scholarship Fund | Student Activity Funds |
| **ASSETS:** | | | | | |
| Cash and Investments | $ - | $ 6,465 | $ 3,807 | $ 766 | $ 478,171 |
| **LIABILITIES:** | | | | | |
| Due to Student Organizations | - | - | - | - | 478,171 |
| **NET ASSETS:** | | | | | |
| Reserved for Scholarship Programs | $ - | $ 6,465 | $ 3,807 | $ 766 | $ - |

See accompanying notes to the basic financial statements

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended June 30, 2012

| | Private-purpose Trust Funds | | | | Agency Fund |
|---|---|---|---|---|---|
| | Homeless Shoe Project Fund | R.S. Reynolds Scholarship Fund | Mark Whitehead Scholarship Fund | Skip Squires Scholarship Fund | Student Activity Funds |
| Additions: | | | | | |
| Receipts | $ 2,243 | $ - | $ - | $ - | $ 1,056,974 |
| Deductions: | | | | | |
| Disbursements | 2,243 | - | - | - | 1,166,006 |
| Change in Net Assets | - | - | - | - | (109,032) |
| Beginning Net Assets | - | 6,465 | 3,807 | 766 | 587,203 |
| Ending Net Assets | $ - | $ 6,465 | $ 3,807 | $ 766 | $ 478,171 |

See accompanying notes to the basic financial statements

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *A. THE FINANCIAL REPORTING ENTITY*

Multnomah County School District No. 7 (the District) is a municipal corporation governed by an elected seven member Board of Directors. The Superintendent is approved by the Board. The daily functioning of the District is under the supervision of the Superintendent. As required by generally accepted accounting principles in the United States of America, all activities of the District have been included in these basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts, which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements.

Component units, as established by the Government Accounting Standards Board (GASB) Statement 39, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationship with the District. There are four component units, the Multisensory Learning Academy (MLA), Mastery Learning Institute – Arthur Academy, Oregon Building Congress Academy for Architecture, Construction, and Engineering (ACE), and Knova Learning Center. The four component units were organized under the provisions of Oregon Revised Statutes Chapter 338 for the purposes of operating a charter school. The MLA, Arthur Academy, ACE Academy, and Knova Learning Center are considered component units because the District is the body that has the authority to approve or revoke the charter agreements establishing their charter school status. Oregon Revised Statutes also require that charter schools be reported as component units of the school districts with charter approval authority.

The financial statements of Knova Learning Center, a component unit, have not been included in this report due to not being available at the time this report was issued. The Charter School information is not material to the District's Financial Statements.

Detailed information about the MLA, Arthur Academy, ACE Academy, and Knova Learning Center financial statements is contained in the component unit financial reports of the four entities, which are issued separately.

The financial statements have been 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. The more significant accounting policies are described below.

### *B. GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)*

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*B. GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS) - Continued*

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All direct expenses are reported by function in the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Net assets are reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors, or through constitutional provisions or enabling resolutions.

*C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION*

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and OPEB obligations are recorded only when payment is due.

Property taxes associated with the current fiscal period, are considered by management to be susceptible to accrual, if received in cash or a County collecting such taxes within 60 days after year-end. All other revenue items are recognized in the accounting period when they become both measurable and available. All other revenue items are considered to be measurable and available only when cash is received.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION - Continued*

The following major governmental funds are reported:

*GENERAL FUND*
This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. The principal revenue sources are property taxes and an apportionment from the State of Oregon School Support Fund.

*FEDERAL PROGRAMS FUND*
This fund accounts for expenditures of federal grant funds. The principal revenue source is federal grant monies.

*DEBT SERVICE FUND*
This fund accounts for the payment of principal and interest general obligation bonds. The principal revenue source is property taxes.

*PERS BOND FUND*
This fund accounts for the payment of principal and interest on pension bonds. The principal revenue source is Services Charged to Other Funds.

*CAPITAL PROJECTS FUND*
This fund accounts for major capital outlay expenditures relating to the acquisition, construction and remodeling of facilities. Principal financing sources include the proceeds from the issuance of debt, sales of property and earnings from investments.

Three non-major funds are reported as a combined total on the fund financial statements. These funds are not considered major because of the level of activity within them.

Additionally, there is the following other fund type:

*FIDUCIARY FUNDS*
This fund type is comprised of three private purpose scholarship trust funds and one agency fund that accounts for the student body accounts.

*FUND EQUITY*

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION – Continued*

*FUND EQUITY - Continued*

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Authority to classify portions of ending fund balance as assigned is granted to the Clerk and the Deputy Clerk.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

Special Revenue Fund Rolled into the General Fund for GASB 54 Purposes
Financial statements for periods beginning after June 15, 2010 must report as Special Revenue funds only those which have a substantial portion of revenue inflows from restricted or committed revenue sources. The Retirement Fund is combined into the General Fund because there are no restricted or committed revenues

*D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY*

*CASH AND CASH EQUIVALENTS AND INVESTMENTS*

For the purpose of the cash flow statement, the statement of net assets and the balance sheets, moneys in the Oregon State Local Government Investment Pool, savings deposits and demand deposits are considered to be cash and cash equivalents.

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

*PROPERTY TAXES*

Uncollected real and personal property taxes are reflected on the statement of net assets and the balance sheet as receivables. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY- Continued*

*PROPERTY TAXES- Continued*

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

*SUPPLY INVENTORIES AND PREPAID ITEMS*

School operating supplies, maintenance supplies, and food and other cafeteria supplies are stated at average invoice cost. Commodities purchased from the United States Department of Agriculture in the Food Service Fund are included in inventories at USDA wholesale value. Inventory is accounted for on the consumption method in the government wide statements. Under the consumption method, inventory is recorded when purchased and expenditures/expenses are recorded when inventory items are used. In the fund financial statements, inventories are expensed when purchased. Donated commodities consumed during the year are reported as revenues and expenditures. The amount of unused donated commodities at balance sheet date is considered immaterial by management for reporting purposes. Prepaid assets are recognized as expenditures when their use benefits the District.

*ACCOUNTS AND OTHER RECEIVABLES*

Accounts and other receivables are comprised primarily of claims for reimbursement of costs under various federal, state and local grants. Amounts due from Federal agencies are considered by management to be fully collectible. An allowance for uncollectible accounts receivable from the public is established when management determines that collection is unlikely to occur. At June 30, 2012 management considers all accounts, including those from the public fully collectible.

*GRANT ACCOUNTING*

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures are recorded as unearned revenue on the statement of net assets and the balance sheet.

*CAPITAL ASSETS*

Capital assets are recorded at original cost or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Interest incurred during construction is not capitalized. The cost of routine maintenance and repairs that do not add to the value of the assets or materially extend asset lives are charged to expenditures as incurred and not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|---|---|
| Buildings and improvements | 10 to 50 years |
| Vehicles and Equipment | 5 to 30 years |

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY- Continued*

*COMPENSATED ABSENCES*

It is the policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when an employee separates from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements and expensed when used in the fund financial statements.

*LONG TERM OBLIGATIONS*

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium. As permitted by GASB Statement No. 34 the cost of prior bond issuance has been amortized prospectively from the date of adoption of GASB Statement No. 34.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*RETIREMENT PLANS*

Substantially all employees are participants in Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures as funded.

Some permanent employees who have 10-15 years of regular service in the District may be eligible for supplemental retirement benefits under a separate plan. Contributions to the plan are funded on a current basis from the General Fund.

*OTHER POST-EMPLOYMENT BENEFITS*

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

*USE OF ESTIMATES*

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

## NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

*D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY- Continued*

*BUDGETARY INFORMATION*

A budget is prepared and legally adopted for all funds on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law.

The budget process begins early in each fiscal year with the establishment of the budget committee. In the fall, public input is invited as the Board decides the budget priorities for the next year. Recommendations are developed through late winter with the budget committee approving the budget in the spring. Public notices of the budget hearing are published generally in the spring with a public hearing being held approximately three weeks later. The Board may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels for each fund: Instruction, Support Services, Enterprise and Community Services, Facilities Acquisition and Construction, Interfund Transactions, Debt Service, and Operating Contingency.

Expenditures cannot legally exceed the above appropriation levels except in the case of grants, which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to a need that exists which was not determined at the time the budget was adopted. There was one supplemental appropriation during the year.

Budget amounts shown in the budgetary financial statements reflect the original and final amended budget.

Expenditures of the various funds were within authorized appropriations, except for Federal Programs Fund Instruction over expended by $75,268.

## NOTE 3. BUDGETARY BASIS OF ACCOUNTING

While the financial position, results of operations, and changes in fund balance/net assets are reported on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The primary differences between the budgetary basis and GAAP basis are that capital outlay is expensed when purchased, depreciation expense is not recorded, and the full accrual of property taxes, which are reported as deferred revenue in the governmental funds if not received within 60-days of year end. Inventories of supplies are budgeted as expenditures when purchased, bond issuance costs are expensed when paid, and debt, accrued vacation and OPEB liabilities are expensed as paid instead of when incurred.

## NOTE 4. CASH AND INVESTMENTS

*DEPOSITS*

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. Oregon Revised Statues require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

*Credit Risk*

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2012, combined bank balances totaled $2,441,815, of which $2,387,666 was insured by FDIC and the remaining $54,150 was collateralized by the Oregon Public Funds Collateralization Program (PFCP).

*INVESTMENTS*

The policy is to follow state statutes governing cash management. Statutes authorize investment in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), 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.

Amounts in the State Treasurer's Local Government Investment Pool (LGIP) are not required to be collateralized. There is no material difference between the fair value of the position in the LGIP and the value of the pool shares at June 30, 2012. There were no known violations of legal or contractual provision for deposits and investments during the fiscal year.

*Interest Rate Risk*

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond three months.

*Credit Risk*

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

*Concentration of Credit Risk*

At June 30, 2012 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument. Oregon Revised Statutes require no more than 25 percent of the moneys of a local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2012, there was compliance with all percentage restrictions.

## NOTE 4. CASH AND INVESTMENTS - Continued

Cash and Investments at June 30, 2012 (recorded at fair value) consisted of:

| Deposits With Financial Institutions | 2012 |
|---|---|
| Demand Deposits | $ 2,408,881 |
| Investments | 24,446,013 |
| Total | $ 26,854,894 |
| Reported in: | |
| Governmental Funds | $ 26,365,685 |
| Fiduciary Funds | 489,209 |
| Total | $ 26,854,894 |

There were the following investments and maturities:

| | | Investment Maturities (in months) | | |
|---|---|---|---|---|
| Investment Type | Fair Value | Less than 3 | 3-17 | 18-59 |
| State Treasurer's Investment Pool | $ 24,446,013 | $ 24,446,013 | $ - | $ - |
| Total | $ 24,446,013 | $ 24,446,013 | $ - | $ - |

## NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 occurred as follows:

| | Balance July 1, 2011 | Additions | Deletions | Balance June 30, 2012 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | $ 18,236,549 | $ - | $ - | $ 18,236,549 |
| Total Capital Assets Not being Depreciated | 18,236,549 | - | - | 18,236,549 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvement | 125,620,219 | 65,503 | - | 125,685,722 |
| Vehicles and Equipment | 7,847,526 | 341,249 | - | 8,188,775 |
| Total Capital Assets Being Depreciated | 133,467,745 | 406,752 | - | 133,874,497 |
| Accumulated Depreciation: | | | | |
| Buildings and Improvement | (52,298,576) | (2,433,581) | - | (54,732,157) |
| Vehicles and Equipment | (5,194,847) | (1,191,018) | - | (6,385,865) |
| Total Accumulated Depreciation | (57,493,423) | (3,624,599) | - | (61,118,022) |
| Total Capital Assets Being Depreciated, Net | 75,974,322 | (3,217,847) | - | 72,756,475 |
| Governmental Activities | $ 94,210,871 | $ (3,217,847) | $ - | $ 90,993,024 |

Current year depreciation expense of $3,624,599 is allocated to the functions as follows:

| | |
|---|---|
| Instruction | $ 2,718,449 |
| Support Services | 724,920 |
| Community Services | 181,230 |
| | $ 3,624,599 |

## NOTE 6. INTERFUND TRANSFERS

| | Transfers Out | Transfers In |
|---|---|---|
| General Fund | $ 905,000 | $ - |
| Nutrition Service Fund | - | 48,000 |
| Retirement Fund | - | 800,000 |
| Self Insurance Fund | - | 57,000 |
| | $ 905,000 | $ 905,000 |

Transfers are used to finance operations between funds.

## NOTE 7. INTERFUND RECEIVABLES/PAYABLES

| | Receivable | Payable |
|---|---|---|
| General Fund | $ 1,301,302 | $ - |
| Federal Programs Fund | - | 1,247,120 |
| Debt Service | - | 54,182 |
| | $ 1,301,302 | $ 1,301,302 |

Interfund loans are used to finance operations between funds.

## NOTE 8. LONG-TERM DEBT

*BONDS PAYABLE*

*General Obligation Bonds*

On October 1, 2001, $18,175,000 of general obligation bonds were issued to refund the outstanding series 1995 general obligation bonds in the amount of $17,930,000. The proceeds were used to purchase United States government obligations and deposited into escrow. The escrow deposits were sufficient to redeem all remaining principal and the bonds were called on June 1, 2006. Principal and interest payments on the refunding bonds are made semiannually on June 15th and December 15th with interest rates ranging form 3%-5.5%. The refunding resulted in an economic gain of $626,005 and decreased total debt service payments by $785,353.

*Pension Obligation Bonds*

On April 21, 2003, $80,978,772 of limited tax pension obligation bonds were issued to finance the unfunded actuarially accrued liability (UAL) with the State of Oregon Public Employees Retirement System (PERS). The issuance of the bonds was considered an advance refunding of the UAL and resulted in an estimated present value savings of approximately $20 million over the life of the bonds. The actual savings realized over the life of the bonds is uncertain because of the various legislative changes and legal issues pending with the PERS system which could impact the future required contribution rate.

**NOTE 8. LONG-TERM DEBT - Continued**

*BONDS PAYABLE - Continued:*

*Advance Refunding Bonds*

On March 1, 2005, $32,500,000 in Series 2005 General Obligation Refunding Bonds were issued to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt services payments of $32,390,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments by $2,015,234 and resulted in an economic gain of $1,542,768.

*Qualified Zone Academy Bonds Series 2004*

$2,100,000 of Qualified Zone Academy bonds were issued on July 1, 2004. $1,995,000 in proceeds were received after paying issuance costs, and annual payments totaling $122,310 will be made through July 1, 2018.

Changes in bonds outstanding are as follows

| Issue Date | Interest Rates | Original Issue | Outstanding July 1, 2011 | Issued | Matured and Redeemed | Outstanding June 30, 2012 |
|---|---|---|---|---|---|---|
| October 1, 2001 | 3.0-5.5% | $ 18,175,000 | $ 8,835,000 | $ - | $ 2,040,000 | $ 6,795,000 |
| March 1, 2005 | 3.0-5.0% | 32,500,000 | 31,745,000 | - | 2,260,000 | 29,485,000 |
| | Sub-Total | | 40,580,000 | - | 4,300,000 | 36,280,000 |
| April 21, 2003 | 1.5-6.27% | 80,978,772 | 68,360,186 | - | 2,106,607 | 66,253,579 |
| July 1, 2004 | N/A | 2,100,000 | 978,480 | - | 122,310 | 856,170 |
| | Sub-Total | | 109,918,666 | - | 6,528,917 | 103,389,749 |
| Premium | | | 353,497 | - | 39,278 | 314,219 |
| Accretion on pension obligation bonds | | | (1,664,261) | - | (138,689) | (1,525,572) |
| | Total | | $ 108,607,902 | $ - | $ 6,429,506 | $ 102,178,395 |

**NOTE 8. LONG-TERM DEBT - Continued**

The annual requirements to amortize all bonds outstanding at year end are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2012-13 | $ 6,784,929 | $ 5,696,959 | $ 12,481,888 |
| 2013-14 | 7,175,881 | 5,746,583 | 12,922,464 |
| 2014-15 | 7,565,690 | 5,806,449 | 13,372,139 |
| 2015-16 | 5,787,200 | 5,877,188 | 11,664,388 |
| 2016-17 | 6,103,882 | 6,046,257 | 12,150,139 |
| 2017-22 | 24,240,025 | 33,241,934 | 57,481,959 |
| 2022-27 | 39,360,788 | 14,437,950 | 53,798,738 |
| 2027-28 | 5,160,000 | 293,088 | 5,453,088 |
| | $ 102,178,395 | $ 77,146,408 | $ 179,324,803 |

*NOTES PAYABLE:*

*Capital Lease Financing Agreements Payable*

*2007-2008 Capital Lease Financing Agreement Notes:*

*Bus Acquisition:*
During 2007-08 a lease/purchase agreement to acquire 4 school buses was entered into. The lease is to be paid in 5 annual payments of $84,484. Total obligation under the lease agreement is $422,420 of which $47,052 is attributable to interest at 4.60%

*Bus Acquisition:*
During 2007-08 a lease/purchase agreement to acquire 2 school buses and was entered into. The lease is to be paid in 5 annual payments of $40,922. Total obligation under the refinancing lease agreement is $204,611 of which $24,813 is attributable to interest at 4.60%.

*Bus Acquisition:*
During 2007-08 a lease/purchase agreement to acquire 16 school buses was entered into. The lease is to be paid in 6 annual payments of $286,174. Total obligation under the lease agreement is $1,717,045 of which $150,293 is attributable to interest at 3.56%

*Bus Disposition and refinance:*
During 2007-08 a lease/purchase agreement to dispose of 16 school buses and refinance 15 school buses was entered into. The lease is to be paid in 6 annual payments of $37,558. Total obligation under the refinancing lease agreement is $225,350 of which $19,105 is attributable to interest at 3.56%.

**NOTE 8. LONG-TERM DEBT - Continued**

*NOTES PAYABLE – Continued:*

*2008-2009 Capital Lease Financing Agreement Notes:*

*Computer Acquisition:*
During 2008-2009 a lease/purchase agreement to acquire computers was entered into. The lease is to be paid in 4 annual payments of $51,957. Total obligation under the lease agreement is $207,829 of which $14,329 is attributable to interest at 4.9812%

*2011-2012 Capital Lease Financing Agreement Notes:*

*Instrument Acquisition:*
During 2011-2012 a lease/purchase agreement to acquire computers was entered into. The lease is to be paid in 5 annual payments of $3,391. Total obligation under the lease agreement is $16,954 of which $4,061 is attributable to interest at 14.87%.

Changes in capital lease financing agreement notes payable are as follows:

| Note Date | Interest Rate | Original Principal | Outstanding July 1, 2011 | Principal Additions | Principal Reductions | Outstanding June 30, 2012 |
|---|---|---|---|---|---|---|
| 2007 Note - Bus Acquisition | 3.70% | $ 179,798 | $ 76,525 | $ - | $ 37,402 | $ 39,123 |
| 2007 Note - Bus Acquisition | 4.45% | 375,368 | 157,984 | - | 77,216 | 80,768 |
| 2008 Note - Bus Acquistion | 3.56% | 1,566,752 | 800,838 | - | 524,501 | 276,337 |
| 2008 Note - Bus Refinance | 3.56% | 206,246 | 105,105 | - | 68,838 | 36,267 |
| 2008 Note - Computer | 4.98% | 193,500 | 49,492 | - | 49,492 | - |
| 2012 Note - Instruments | 14.87% | 12,893 | - | 12,893 | 3,273 | 9,620 |
| | Total | | $ 1,189,944 | $ 12,893 | $ 760,722 | $ 442,115 |

Following are the annual requirements to amortize capital lease financing agreements payable outstanding at year end:

| Fiscal Year Ending June 30, | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2012-13 | $ 121,792 | $ 7,005 | $ 128,797 |
| 2013-14 | 314,808 | 12,315 | 327,123 |
| 2014-15 | 2,554 | 836 | 3,390 |
| 2015-16 | 2,961 | 430 | 3,391 |
| | $ 442,115 | $ 20,586 | $ 462,701 |

**NOTE 8. LONG-TERM DEBT - Continued**

*Full Faith & Credit Obligations (Bond Anticipation) Notes Payable*

*Series 2006*
In June 2006, $17,000,000 in Full Faith and Credit Obligations were issued, the proceeds of which were used to finance the acquisition and improvements of real property to be used as a site for future school facilities, improvements for District Office facilities, and to purchase approximately twelve school buses. Principal payments are due annually on June 1, through 2035 with interest rates between 4.75-5.0%. The notes were refunded by issuance of the series 2010 Full Faith and Credit Refunding Obligations.

*Series 2007*
In November 2007, $5,758,500 in Full Faith and Credit Obligations were issued, the proceeds of which were used to finance the acquisition and improvements of real property to be used as a site for future school facilities. Principal payments are due annually on July 15, through 2027 with interest rate at 5.35%. The notes were refunded by issuance of the series 2010 Full Faith and Credit Refunding Obligations

*Series 2010 - Refunding*
In June 2010, $23,850,000 in Full Faith and Credit Obligations were issued. $25,399,121, which includes the premium of $1,549,121, was deposited into escrow. From the amount deposited, $18,757,731 was used to purchase United States Treasury Securities and the remaining $6,509, 408 was held uninvested as cash. The amount in escrow was sufficient to retire the following securities: Series 2006 Full Faith and Credit Obligations, Series 2007 Full Faith and Credit Obligations, 2003 Financing Agreement Note and 2007 Financing Agreement Note. Principal payments are due annually on June 1, through 2035 with interest rates of ranging from 2-5%. The refunding resulted in an economic gain of $1,542,768, but increased total debt service payments by $245,157. All four refunded securities were considered defeased on June 3, 2010, the issuance date of the refunding bonds.

Changes in full faith & credit obligations (BAN) notes payable are as follows:

| Full Faith & Credit Obligation | Interest Rates | Original Issue | Outstanding July 1, 2011 | Issued | Matured and Redeemed | Outstanding June 30, 2012 |
|---|---|---|---|---|---|---|
| Series 2010 | 2-5% | $ 23,850,000 | $ 23,260,000 | $ - | $ 605,000 | $ 22,655,000 |
| | Sub-Total | | 23,260,000 | - | 605,000 | 22,655,000 |
| Premium | | | 1,487,156 | - | 61,965 | 1,425,191 |
| | Total | | $ 24,747,156 | $ - | $ 666,965 | $ 24,080,191 |

**NOTE 8. LONG-TERM DEBT – Continued**

Following are the annual requirements to amortize all full faith & credit (BAN) obligation notes payable outstanding at year end:

| Fiscal Year Ending June 30, | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2012-13 | $ 615,000 | $ 1,026,313 | $ 1,641,313 |
| 2013-14 | 630,000 | 1,010,938 | 1,640,938 |
| 2014-15 | 650,000 | 992,038 | 1,642,038 |
| 2015-16 | 670,000 | 972,538 | 1,642,538 |
| 2016-17 | 690,000 | 952,438 | 1,642,438 |
| 2017-22 | 3,960,000 | 4,291,936 | 8,251,936 |
| 2022-27 | 4,835,000 | 3,371,662 | 8,206,662 |
| 2027-32 | 6,135,000 | 2,067,750 | 8,202,750 |
| 2032-35 | 4,470,000 | 454,500 | 4,924,500 |
| | $ 22,655,000 | $ 15,140,113 | $ 37,795,113 |

Total long-term liability activity for the year ended June 30, 2012 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Bonds Payable | $ 108,607,902 | $ - | $ 6,429,506 | $ 102,178,396 | $ 6,784,929 |
| Capital Lease Payable | 1,189,944 | 12,893 | 760,722 | 442,115 | 121,792 |
| Full Faith & Credit (BAN) Obligation Notes Payable | 24,747,156 | - | 666,965 | 24,080,191 | 676,965 |
| Net OPEB Obligation | - | 1,559,397 | - | 1,559,397 | - |
| Net Pension Obligation | - | 394,104 | - | 394,104 | - |
| Total long-term liabilities | $ 134,545,002 | $ 1,966,394 | $ 7,857,193 | $ 128,654,203 | $ 7,583,686 |

## NOTE 9. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM

Contributions are made to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, post-employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

PERS is administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

Members of PERS are required to contribute 6% of their salary covered under the plan. ORS 238.225 requires contributions at an actuarially determined rate. On April 21, 2003, the District participated in the Oregon School Boards Association limited tax pension obligation bond issue to finance a portion of the estimated unfunded PERS actuarial liability (the "UAL"). $80,978,772 was borrowed, which results in a rate reduction offset which is adjusted every two years. The unadjusted PERS rate effective June 30, 2012 is 14.85% of salary covered under the plan for Tier 1 and Tier 2 employees (T1/T2) and 14.75% for employees covered under the Oregon Public Services Retirement Plan (OPSRP). The District is receiving a rate reduction offset of 0.51%, resulting in net employer contribution rates of 7.13% (T1/T2) and 5.62% (OPSRP). The PERS Board has statutory authority to revise employer contributions as necessary to ensure the promised benefits will be funded on a sound basis.

A summary of the PERS Contributions, Rate Reduction Offset and PERS Bond Payments for the respective fiscal years ended:

| | June 30, 2012 | | June 30, 2011 | | June 30, 2010 | |
|---|---|---|---|---|---|---|
| | Rate | Amount | Rate | Amount | Rate | Amount |
| Member Contributions | 6.00% | $ 3,278,664 | 6.00% | $ 3,344,224 | 6.00% | $ 3,605,915 |
| District Contributions: (Rates are net of rate reduction offset) | | | | | | |
| T1/T2 | 7.13% | 2,426,787 | 0.29% | 56,056 | 0.29% | 461,569 |
| OPSRP | 5.62% | 776,907 | 0.19% | 16,744 | 0.19% | 137,752 |
| Total District Contributions | | 3,203,694 | | 72,800 | | 599,321 |
| Total PERS Contributions | | $ 6,482,358 | | $ 3,417,024 | | $ 4,205,236 |
| Rate Reduction Offset (Savings) | (0.51%) | $ (444,004) | (14.56%) | $ (2,652,101) | (14.56%) | $ (8,974,127) |
| Required Annual PERS Bond Payment | | $ 5,715,490 | | $ 5,430,611 | | $ 5,155,489 |
| Annual Amortization of Prepaid PERS Asset - Note 10 | | 3,183,000 | | 3,183,000 | | 3,183,000 |

Contributions are remitted when invoiced from PERS.

## NOTE 10. PREPAID PERS ASSET

As a result of the issuance of the 2003 Limited Tax Pension Obligation Bonds, as described in Notes 8 and 9, a Prepaid PERS Asset is reported in the Statement of Net Assets. The prepaid liability is equal to the initial $80,193,194 payment made to PERS from the bond proceeds, less accumulated amortization. Annual amortization of $3,183,000 is calculated on a straight-line basis over the life of the pension obligation bonds.

## NOTE 11. OTHER POST EMPLOYMENT BENEFITS

As a result of collective bargaining agreements, post-retirement health care benefits are offered to certain employees who retire with 15 years of service and have attained the age of 58, but are not yet eligible for Medicare. These benefits are available until age 62 to 65 and are fully paid by the District. Contributions are financed by the General Fund and recorded as expenditures on a pay as you go basis. The cost of these benefits in fiscal years 2012 and 2011 were $482,834 and $444,083.

Annual OPEB cost and Net OPEB Obligation for Implicit Benefit and District Contributions –
The annual OPEB cast and net OPEB obligation is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

| | 2012 |
|---|---|
| Annual Required Contribution | $ 2,941,589 |
| Interest on prior year Net OPEB Obligation | - |
| Adjustment to Annual Required Contribution | - |
| Annual OPEB cost | 2,941,589 |
| Contributions made | (1,382,192) |
| Increase in Net OPEB obligation | 1,559,397 |
| Net OPEB Obligation at beginning of year | - |
| Net OPEB Obligation at end of year | $ 1,559,397 |
| | |
| Percentage of APC contributed | 47% |

Actuarial Methods and Assumptions – The annual required contribution (ARC) for the current year was determined as part of the June 30, 2011 actuarial valuation using the projected unit credit cost method. 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. 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.

## NOTE 11. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Under this method, the actuarial present value of the projected benefits of each active employee included in the valuation is allocated on a level basis over the service of the active employee between assumed entry age (date of hire) and assumed exit age(s). The portion of this actuarial present value allocated to the valuation year is called the normal cost for that active employee. The sum of these individual normal costs is the Plan's Normal Cost for the valuation year. The portion of the actuarial present value of all projected benefits (including benefits for non-active participants) that is not provided for at the valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.

Funding Status and Funding Progress – As of October 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $19,280,101, and the actuarial value of assets was zero, resulting in an unfunded accrued liability of $19,280,101.

Annual Pension Cost and Net Pension Obligation of Early Retirement Plan:
The annual pension cost and net pension obligation is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statements 27 and 50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual pension cost for the year ending June 30, 2012:

| | 2012 |
|---|---|
| Annual Required Contribution | $ 691,424 |
| Interest on prior year Net Pension Obligation | - |
| Adjustment to Annual Required Contribution | - |
| Annual pension cost (APC) | 691,424 |
| Contributions made | (297,320) |
| Increase in net pension obligation | 394,104 |
| Net Pension Obligation at beginning of year | - |
| Net Pension Obligation at end of year | $ 394,104 |
| Percentage of APC contributed | 43% |

Actuarial Methods and Assumptions – The annual required contribution (ARC) for the current year was determined as part of the June 30, 2011 actuarial valuation using the projected unit credit cost method. 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. 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.

## NOTE 11. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Under this method, the actuarial present value of the projected benefits of each active employee included in the valuation is allocated on a level basis over the service of the active employee between assumed entry age (date of hire) and assumed exit age(s). The portion of this actuarial present value allocated to the valuation year is called the normal cost for that active employee. The sum of these individual normal costs is the Plan's Normal Cost for the valuation year. The portion of the actuarial present value of all projected benefits (including benefits for non-active participants) that is not provided for at the valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.

Funding Status and Funding Progress – As of October 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $2,065,283, and the actuarial value of assets was zero, resulting in an unfunded accrued liability of $2,065,283.

## NOTE 12. PROPERTY TAX LIMITATION

The voters of the State of Oregon approved ballot measure 5, a constitutional limit on property taxes for schools and nonschool government operations, in November 1990. School operations include community colleges, local school districts, and education service districts.

The limitation provides that property taxes for school operations are limited to $5.00 for each $1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this initiative has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The voters of the State of Oregon passed ballot measure 50 in May 1997 to further reduce property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit.

Measure 50 reduced the amount of operating property tax revenues available to the District for its 1997-98 fiscal year, and thereafter. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the property tax limitations. The measure also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State of Oregon to minimize the impact of the tax cuts to the school districts.

## NOTE 13. COMMITMENTS AND CONTINGENCIES

Substantially all amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 management expects such amounts, if any, to be immaterial.

A substantial portion of operating funding is received from the State of Oregon. State funding is determined through state wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate they can cause either increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the District's operations cannot be determined.

## NOTE 14. RISK MANAGEMENT

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

## NOTE 15. JOINT VENTURE

The District has entered into an intergovernmental property agreement to build and operate a Center for Advanced Learning (CAL), a charter school. However, payment and ownership will be shared with the following Districts along with their share of ownership: Reynolds School District No. 7, 19.305%; Centennial School District No. 28J, 16.369%; Mt. Hood Community College, 15.058%; and Gresham-Barlow School District No. 10J, 49.268%. The investment in CAL at June 30, 2012 was $1,636,463.

The Center for Advanced Learning issues a publicly available financial report which may be obtained by writing: Administrator, The Center for Advanced Learning, 1484 NW Civic Drive, Gresham, OR 97030.

The District has entered into an agreement to a joint participation agreement to sponsor a charter school for the Academy for Architecture, Construction and Engineering, known as the ACE Academy. The participating school districts; Reynolds School District No. 7, Centennial School District No. 28J, Gresham-Barlow School District No. 10J and Parkrose School District No.3; agreed that each of them has an equal interest in and responsibility for the Charter Agreement.

The ACE Academy issues a financial report which may be obtained by writing:
Administrator, ACE Academy, 422 NE 158th Avenue, Portland OR 97230

## NOTE 16. LEGAL MATTERS

The District is involved in various claims and legal matters relating to its operations which have all been tended to, and are either being adjusted by the liability carrier, or are being defended by attorneys retained by the liability carrier. The status of these matters is uncertain at this time as well as any potential loss. The District is the defendant in litigation from persons formerly employed by the District in various capacities. The District intends to vigorously defend the lawsuits.

## NOTE 17. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to increase beginning fund balance in the General Fund by $520,694. This is due to two district liability insurance payments recorded in the same year. The first payment for fiscal year 2010-11 was recorded in July, 2010, and the second payment for fiscal year 2011-12 was recorded in June, 2011. The second payment was supposed to have been recorded in July, 2011.

Additionally, a prior period adjustment was made to decrease beginning fund balance in the State and Local Programs Fund by ($3,775). This is due to a correction to accounts receivable for the fiscal year 2010-11.

**MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7**
MULTNOMAH COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
June 30, 2012

**PLAN I (OPEB):**
**SCHEDULE OF FUNDING PROGRESS**

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) Entry Age | (b)-(a) AAL (UAAL) | (a/b) Funded Ratio | (c) Covered Payroll | ((b-a)/c) UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 10/1/2008 | $ N/A | $ N/A | $ N/A | N/A | $ N/A | N/A |
| 10/1/2009 | N/A | N/A | N/A | N/A | N/A | N/A |
| 10/1/2011 | - | 19,280,101 | 19,280,101 | 0.00% | N/A | N/A |

The above table presents the most recent actuarial valuations for the District's post-retirement pension stipend and it provides information that approximates the funding progress of the plan.

## SCHEDULE OF FUNDING PROGRESS
## PENSION PLAN
## June 30, 2012

**PLAN II (STIPENDS)**
**SCHEDULE OF FUNDING PROGRESS**

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (b)-(a) AAL (UAAL) | (a/b) Funded Ratio | (c) Covered Payroll | ((b-a)/c) UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 10/1/2008 | $ N/A | $ N/A | $ N/A | N/A | $ N/A | N/A |
| 10/1/2009 | N/A | N/A | N/A | N/A | N/A | N/A |
| 10/1/2011 | - | 2,065,283 | 2,065,283 | 0.00% | N/A | N/A |

The above table presents the most recent actuarial valuations for the District's post-retirement health insurance and it provides information that approximates the funding progress of the plan.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the year ended June 30, 2012

GENERAL FUND

| | ORIGINAL BUDGET | FINAL BUDGET | | ACTUAL | VARIANCE FROM FINAL BUDGET |
|---|---|---|---|---|---|
| REVENUES: | | | | | |
| Local Sources | $ 21,366,202 | $ 21,366,202 | | $ 21,539,797 | $ 173,595 |
| Intermediate Sources | 281,000 | 281,000 | | 26,443 | (254,557) |
| State Sources | 68,690,717 | 68,690,717 | | 69,540,611 | 849,894 |
| Federal Sources | - | - | | 75,446 | 75,446 |
| Total Revenues | 90,337,919 | 90,337,919 | | 91,182,297 | 844,378 |
| EXPENDITURES: | | | | | |
| Instruction | 56,069,712 | 56,806,260 | (1) | 55,659,333 | 1,146,927 |
| Support Services | 36,438,818 | 36,652,270 | (1) | 34,914,806 | 1,737,464 |
| Community Services | 127,079 | 197,079 | (1) | 145,503 | 51,576 |
| Debt Service | 723,310 | 803,310 | (1) | 727,310 | 76,000 |
| Contingency | 7,177,000 | 6,077,000 | (1) | - | 6,077,000 |
| Total Expenditures | 100,535,919 | 100,535,919 | | 91,446,952 | 9,088,967 |
| Excess of Revenues Over, (Under) Expenditures | (10,198,000) | (10,198,000) | | (264,655) | 9,933,345 |
| OTHER FINANCING SOURCES, (USES) | | | | | |
| New Capital Lease | - | - | | 16,954 | 16,954 |
| Transfers Out | (905,000) | (905,000) | (1) | (905,000) | - |
| Total Other Financing Sources, (Uses) | (905,000) | (905,000) | | (888,046) | 16,954 |
| Net Change in Fund Balance | (11,103,000) | (11,103,000) | | (1,152,701) | 9,950,299 |
| Beginning Fund Balance | 16,103,000 | 16,103,000 | | 18,618,115 | 2,515,115 |
| Prior Period Adjustment | - | - | | 520,694 | 520,694 |
| Ending Fund Balance | $ 5,000,000 | $ 5,000,000 | | 17,986,108 | $ 12,986,108 |
| Reconciliation to Governmental Fund Balance as required by GASB 54: | | | | | |
| Ending Fund Balance | | | | | |
| Retirement Fund | | | | 894,447 | |
| | | | | $ 18,880,555 | |

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the year ended June 30, 2012

## FEDERAL PROGRAMS FUND

| | ORIGINAL BUDGET | FINAL BUDGET | | ACTUAL | VARIANCE FROM FINAL BUDGET |
|---|---|---|---|---|---|
| REVENUES: | | | | | |
| Federal Sources | $ 8,915,401 | $ 8,915,401 | | $ 8,352,579 | $ (562,822) |
| Total Revenues | 8,915,401 | 8,915,401 | | 8,352,579 | (562,822) |
| EXPENDITURES: | | | | | |
| Instruction | 5,602,462 | 5,602,462 | (1) | 5,677,730 | (75,268) |
| Support Services | 3,144,014 | 3,144,014 | (1) | 2,631,716 | 512,298 |
| Community Services | 168,925 | 168,925 | (1) | 43,133 | 125,792 |
| Total Expenditures | 8,915,401 | 8,915,401 | | 8,352,579 | 562,822 |
| Net Change in Fund Balance | - | - | | - | - |
| Beginning Fund Balance | - | - | | - | - |
| Ending Fund Balance | $ - | $ - | | $ - | $ - |

(1) Appropriation Level

**MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7**
MULTNOMAH COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the year ended June 30, 2012

DEBT SERVICE FUND

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE FROM FINAL BUDGET |
|---|---|---|---|---|
| REVENUES: | | | | |
| Local Sources | $ 6,118,640 | $ 6,118,640 | $ 6,220,227 | $ 101,587 |
| Total Revenues | 6,118,640 | 6,118,640 | 6,220,227 | 101,587 |
| EXPENDITURES: | | | | |
| Debt Service | 6,323,775 | 6,323,775 | (1) 6,323,775 | - |
| Total Expenditures | 6,323,775 | 6,323,775 | 6,323,775 | - |
| Net Change in Fund Balance | (205,135) | (205,135) | (103,548) | 101,587 |
| Beginning Fund Balance | 1,119,385 | 1,119,385 | 122,608 | (996,777) |
| Ending Fund Balance | $ 914,250 | $ 914,250 | $ 19,060 | $ (895,190) |

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the year ended June 30, 2012

PERS BOND FUND

| | ORIGINAL BUDGET | FINAL BUDGET | | ACTUAL | VARIANCE FROM FINAL BUDGET |
|---|---|---|---|---|---|
| REVENUES: | | | | | |
| Local Sources | $ 5,658,756 | $ 5,658,756 | | $ 5,717,116 | $ 58,360 |
| Total Revenues | 5,658,756 | 5,658,756 | | 5,717,116 | 58,360 |
| EXPENDITURES: | | | | | |
| Debt Service | 5,715,490 | 5,715,490 | (1) | 5,715,490 | - |
| Total Expenditures | 5,715,490 | 5,715,490 | | 5,715,490 | - |
| Net Change in Fund Balance | (56,734) | (56,734) | | 1,626 | 58,360 |
| Beginning Fund Balance | 106,734 | 106,734 | | 92,967 | (13,767) |
| Ending Fund Balance | $ 50,000 | $ 50,000 | | $ 94,593 | $ 44,593 |

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the year ended June 30, 2012

## CAPITAL PROJECTS FUND

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE FROM FINAL BUDGET |
|---|---|---|---|---|
| REVENUES: | | | | |
| Local Sources | $ 40,000 | $ 40,000 | $ 8,687 | $ (31,313) |
| Intermediate Sources | 482,969 | 482,969 | 46,090 | (436,879) |
| Total Revenues | 522,969 | 522,969 | 54,777 | (468,192) |
| EXPENDITURES: | | | | |
| Debt Service | 1,038,413 | 1,038,413 | (1) 1,038,413 | - |
| Total Expenditures | 1,038,413 | 1,038,413 | 1,038,413 | - |
| Net Change in Fund Balance | (515,444) | (515,444) | (983,636) | (468,192) |
| Beginning Fund Balance | 3,566,933 | 3,566,933 | 2,692,076 | (874,857) |
| Ending Fund Balance | $ 3,051,489 | $ 3,051,489 | $ 1,708,440 | $ (1,343,049) |

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

| | OTHER GOVERNMENTAL FUNDS | | | |
|---|---|---|---|---|
| | NUTRITION SERVICE FUND | STATE AND LOCAL PROGRAMS FUND | SELF INSURANCE FUND | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
| ASSETS: | | | | |
| Cash | $ 885,770 | $ 461,557 | $ 388,914 | $ 1,736,241 |
| Receivables: | | | | |
| Accounts/Grants | 233,515 | 214,230 | - | 447,745 |
| Inventories | - | 222,567 | - | 222,567 |
| Total Assets | $ 1,119,285 | $ 898,354 | $ 388,914 | $ 2,406,553 |
| LIABILITIES AND FUND BALANCES: | | | | |
| Liabilities: | | | | |
| Accounts Payable | $ 8,846 | $ 20,013 | $ - | $ 28,859 |
| Total Liabilities | 8,846 | 20,013 | - | 28,859 |
| Fund Balances: | | | | |
| Nonspendable | - | 222,567 | - | 222,567 |
| Restricted | 1,110,439 | 76,372 | - | 1,186,811 |
| Committed | - | - | 388,914 | 388,914 |
| Assigned | - | 786,104 | - | 786,104 |
| Unassigned | - | (206,702) | - | (206,702) |
| Total Fund Balances | 1,110,439 | 878,341 | 388,914 | 2,377,694 |
| Total Liabilities and Fund Balances | $ 1,119,285 | $ 898,354 | $ 388,914 | $ 2,406,553 |

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2012

| | OTHER GOVERNMENTAL FUNDS | | | |
|---|---|---|---|---|
| | NUTRITION SERVICE FUND | STATE AND LOCAL PROGRAMS FUND | SELF INSURANCE FUND | NONMAJOR GOVERNMENTAL FUNDS |
| REVENUES: | | | | |
| Local Sources | $ 502,465 | $ 657,852 | $ 22,785 | $ 1,183,102 |
| Intermediate Sources | - | 355,945 | - | 355,945 |
| State Sources | - | 61,190 | - | 61,190 |
| Federal Sources | 4,582,500 | - | - | 4,582,500 |
| Total Revenues | 5,084,965 | 1,074,987 | 22,785 | 6,182,737 |
| EXPENDITURES: | | | | |
| Instruction | - | 319,659 | - | 319,659 |
| Support Service | - | 163,100 | 19,992 | 183,092 |
| Community Services | 4,838,725 | 81,370 | - | 4,920,095 |
| Total Expenditures | 4,838,725 | 564,129 | 19,992 | 5,422,846 |
| Excess of Revenues Over, (Under) Expenditures | 246,240 | 510,858 | 2,793 | 759,891 |
| OTHER FINANCING SOURCES, (USES): | | | | |
| Transfers In | 48,000 | - | 57,000 | 105,000 |
| Total Other Financing Sources (Uses) | 48,000 | - | 57,000 | 105,000 |
| Net Change in Fund Balance | 294,240 | 510,858 | 59,793 | 864,891 |
| Beginning Fund Balance | 816,199 | 371,258 | 329,121 | 1,516,578 |
| Prior Period Adjustment | - | (3,775) | - | (3,775) |
| Ending Fund Balance | $ 1,110,439 | $ 878,341 | $ 388,914 | $ 2,377,694 |

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the year ended June 30, 2012

NUTRITION SERVICE FUND

| | ORIGINAL BUDGET | FINAL BUDGET | | ACTUAL | | VARIANCE FROM FINAL BUDGET |
|---|---|---|---|---|---|---|
| REVENUES: | | | | | | |
| Local Sources | $ 609,976 | $ 609,976 | | $ 502,465 | (2) | $ (107,511) |
| Federal Sources | 4,175,582 | 4,175,582 | | 4,582,500 | | 406,918 |
| Total Revenues | 4,785,558 | 4,785,558 | | 5,084,965 | | 299,407 |
| EXPENDITURES: | | | | | | |
| Enterprise and Community Services | 4,905,346 | 4,905,346 | (1) | 4,838,725 | | 66,621 |
| Contingency | 320,067 | 320,067 | (1) | - | | 320,067 |
| Total Expenditures | 5,225,413 | 5,225,413 | | 4,838,725 | | 386,688 |
| Excess of Revenues Over, (Under) Expenditures | (439,855) | (439,855) | | 246,240 | | 686,095 |
| OTHER FINANCING SOURCES, (USES): | | | | | | |
| Transfers In | 48,000 | 48,000 | | 48,000 | (2) | - |
| Total Other Financing Sources, (Uses) | 48,000 | 48,000 | | 48,000 | | - |
| Net Change in Fund Balance | (391,855) | (391,855) | | 294,240 | | 686,095 |
| Beginning Fund Balance | 711,921 | 711,921 | | 816,199 | | 104,278 |
| Ending Fund Balance | $ 320,066 | $ 320,066 | | $ 1,110,439 | | $ 790,373 |

(1) Appropriation Level

(2) Included in these amounts is the required state appropriated general purpose revenues of $51,178 the District must transfer to the Food Service Fund for National School Lunch Support in order to meet the general cash assistance match for 2011-12.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the year ended June 30, 2012

STATE AND LOCAL PROGRAMS FUND

| | ORIGINAL BUDGET | FINAL BUDGET | | ACTUAL | VARIANCE FROM FINAL BUDGET |
|---|---|---|---|---|---|
| REVENUES: | | | | | |
| Local Sources | $ 562,523 | $ 562,523 | | $ 657,852 | $ 95,329 |
| Intermediate Sources | - | - | | 355,945 | 355,945 |
| State Sources | 291,016 | 291,016 | | 61,190 | (229,826) |
| Total Revenues | 853,539 | 853,539 | | 1,074,987 | 221,448 |
| EXPENDITURES: | | | | | |
| Instruction | 363,806 | 423,806 | (1) | 319,659 | 104,147 |
| Support Services | 81,230 | 171,230 | (1) | 163,100 | 8,130 |
| Community Services | 380,000 | 355,000 | (1) | 81,370 | 273,630 |
| Total Expenditures | 825,036 | 950,036 | | 564,129 | 385,907 |
| Excess of Revenues Over, (Under) Expenditures | 28,503 | (96,497) | | 510,858 | 607,355 |
| OTHER FINANCING SOURCES, (USES): | | | | | |
| Transfers Out | (125,000) | - | (1) | - | - |
| Total Other Financing Sources (Uses) | (125,000) | - | | - | - |
| Net Change in Fund Balance | (96,497) | (96,497) | | 510,858 | 607,355 |
| Beginning Fund Balance | 96,497 | 96,497 | | 371,258 | 274,761 |
| Prior Period Adjustment | - | - | | (3,775) | (3,775) |
| Ending Fund Balance | $ - | $ - | | $ 878,341 | $ 878,341 |

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the year ended June 30, 2012

SELF-INSURANCE FUND

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE FROM FINAL BUDGET |
|---|---|---|---|---|
| REVENUES: | | | | |
| Local Sources | $ 100,000 | $ 100,000 | $ 22,785 | $ (77,215) |
| Total Revenues | 100,000 | 100,000 | 22,785 | (77,215) |
| EXPENDITURES: | | | | |
| Support Services | 155,000 | 155,000 (1) | 19,992 | 135,008 |
| Total Expenditures | 155,000 | 155,000 | 19,992 | 135,008 |
| Excess of Revenues Over, (Under) Expenditures | (55,000) | (55,000) | 2,793 | 57,793 |
| OTHER FINANCING SOURCES, (USES): | | | | |
| Transfers In | 57,000 | 57,000 | 57,000 | - |
| Total Other Financing Sources, (Uses) | 57,000 | 57,000 | 57,000 | - |
| Net Change in Fund Balance | 2,000 | 2,000 | 59,793 | 57,793 |
| Beginning Fund Balance | 38,000 | 38,000 | 329,121 | 291,121 |
| Ending Fund Balance | $ 40,000 | $ 40,000 | $ 388,914 | $ 348,914 |

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the year ended June 30, 2012

RETIREMENT FUND

| | ORIGINAL BUDGET | FINAL BUDGET | | ACTUAL | VARIANCE FROM FINAL BUDGET |
|---|---|---|---|---|---|
| EXPENDITURES: | | | | | |
| Support Services | $ 793,791 | $ 793,791 | (1) | $ 793,791 | $ - |
| Total Expenditures | 793,791 | 793,791 | | 793,791 | - |
| Excess of Revenues Over, (Under) Expenditures | (793,791) | (793,791) | | (793,791) | - |
| OTHER FINANCING SOURCES, (USES): | | | | | |
| Transfers In | 800,000 | 800,000 | | 800,000 | - |
| Total Other Financing Sources, (Uses) | 800,000 | 800,000 | | 800,000 | - |
| Net Change in Fund Balance | 6,209 | 6,209 | | 6,209 | - |
| Beginning Fund Balance | 875,394 | 875,394 | | 888,238 | 12,844 |
| Ending Fund Balance | $ 881,603 | $ 881,603 | | $ 894,447 | $ 12,844 |

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54, due to its financing resources being derived primarily from General Fund transfers.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the year ended June 30, 2012

PRIVATE-PURPOSE TRUST FUND

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE FROM FINAL BUDGET |
|---|---|---|---|---|
| REVENUES: | | | | |
| Local Sources | $ - | $ - | $ 2,243 | $ 2,243 |
| Total Revenues | - | - | 2,243 | 2,243 |
| EXPENDITURES: | | | | |
| Support Services | 17,807 | 17,807 | (1) 2,243 | 15,564 |
| Total Expenditures | 17,807 | 17,807 | 2,243 | 15,564 |
| Net Change in Fund Balance | (17,807) | (17,807) | - | 17,807 |
| Beginning Fund Balance | 30,247 | 30,247 | 11,038 | (19,209) |
| Ending Fund Balance | $ 12,440 | $ 12,440 | $ 11,038 | $ (1,402) |

(1) Appropriation Level

**MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7**
**MULTNOMAH COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES**
**OF TAXES UNCOLLECTED**
**For the year ended June 30, 2012**

**GENERAL FUND**

| TAX YEAR | ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/11 | DEDUCT DISCOUNTS | ADJUSTMENTS TO ROLLS | ADD INTEREST | CASH COLLECTIONS BY COUNTY TREASURER | BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/12 |
|---|---|---|---|---|---|---|
| Current: | | | | | | |
| 2011-12 | $ 21,528,899 | $ 538,623 | $ (119,382) | $ 9,511 | $ 20,211,854 | $ 668,551 |
| Prior Years: | | | | | | |
| 2010-11 | 597,626 | (3,468) | (66,872) | 23,683 | 208,743 | 349,162 |
| 2009-10 | 279,070 | (2,627) | (37,261) | 22,924 | 35,099 | 232,261 |
| 2008-09 | 153,816 | (35) | (28,556) | 26,710 | 88,093 | 63,912 |
| 2007-08 | 52,514 | (32) | (16,466) | 14,777 | 39,369 | 11,488 |
| 2006-07 & Prior | 37,368 | - | (3,973) | 4,133 | 6,093 | 31,435 |
| Total Prior | 1,120,394 | (6,162) | (153,128) | 92,227 | 377,397 | 688,258 |
| Total All Years | $ 22,649,293 | $ 532,461 | $ (272,510) | $ 101,738 | $ 20,589,251 | $ 1,356,809 |

| RECONCILIATION TO REVENUE: | TOTAL |
|---|---|
| Cash Collections by County Treasurers Above | $ 20,589,251 |
| Accrual of Receivables: | |
| Other taxes | 204,197 |
| June 30, 2011 | (101,904) |
| June 30, 2012 | 105,577 |
| Total Revenue | $ 20,797,121 |

**MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7**
**MULTNOMAH COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES**
**OF TAXES UNCOLLECTED**
**For the year ended June 30, 2012**

**DEBT SERVICE FUND**

| TAX YEAR | ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/11 | DEDUCT DISCOUNTS | ADJUSTMENTS TO ROLLS | ADD INTEREST | CASH COLLECTIONS BY COUNTY TREASURER | BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/12 |
|---|---|---|---|---|---|---|
| Current: | | | | | | |
| 2011-12 | $ 6,468,756 | $ 161,839 | $ (35,870) | $ 2,858 | $ 6,073,026 | $ 200,879 |
| Prior Years: | | | | | | |
| 2010-11 | 151,507 | (884) | (16,199) | 6,038 | 53,216 | 89,014 |
| 2009-10 | 71,632 | (674) | (9,564) | 5,884 | 9,009 | 59,617 |
| 2008-09 | 46,706 | (11) | (8,671) | 8,110 | 26,749 | 19,407 |
| 2007-08 | 15,946 | (10) | (5,000) | 4,487 | 11,955 | 3,488 |
| 2006-07 & Prior | 11,347 | - | (3,171) | 1,255 | 1,850 | 7,581 |
| Total Prior | 297,138 | (1,579) | (42,605) | 25,774 | 102,779 | 179,107 |
| Total All Years | $ 6,765,894 | $ 160,260 | $ (78,475) | $ 28,632 | $ 6,175,805 | $ 379,986 |

| RECONCILIATION TO REVENUE: | TOTAL |
|---|---|
| Cash Collections by County Treasurers Above | $ 6,175,805 |
| Accrual of Receivables: | |
| Other taxes | 25,668 |
| June 30, 2011 | (28,028) |
| June 30, 2012 | 30,732 |
| Total Revenue | $ 6,204,177 |

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
For the year ended June 30, 2012

| Federal Grantor Pass through Grantor | Program Title | Grant Period | CFDA Number | Grant Amount | 2011-12 Revenues | 2011-12 Expenditures | |
|---|---|---|---|---|---|---|---|
| **US Department of Education - Special Revenue Fund:** | | | | | | | |
| **Passed through Oregon State Department of Education** | | | | | | | |
| | Title IA YR 10/11 | 07/01/2010-06/30/2012 | 84.010 | $ 4,081,424 | $ 1,360,414 | $ 1,360,414 | |
| | Title IA YR 11/12 | 07/01/2011-09/30/2012 | 84.010 | 4,007,534 | 3,040,939 | 3,040,939 | |
| | School Improvement - Glenfair | 01/01/2010-09/30/2011 | 84.010 | 25,000 | 10,624 | 10,624 | |
| | School Improvement - Salish Ponds | 01/01/2010-09/30/2011 | 84.010 | 25,000 | 7,526 | 7,526 | |
| | School Improvement Tier III Phase II - Alder | 09/01/2011-09/30/2012 | 84.010 | 59,700 | 47,286 | 47,286 | |
| | School Improvement Tier III Phase II -Glenfair | 09/01/2011-09/30/2012 | 84.010 | 48,800 | 48,800 | 48,800 | |
| | School Improvement Tier III Phase II -Salish Ponds | 09/01/2011-09/30/2012 | 84.010 | 41,100 | 41,100 | 41,100 | |
| | School Improvement Tier III Phase II -Woodland | 09/01/2011-09/30/2012 | 84.010 | 48,500 | 45,047 | 45,047 | |
| | School Improvement - Alder | 09/01/2011-09/30/2012 | 84.010 | 63,100 | 44,681 | 44,681 | |
| | School Improvement - Glenfair | 09/01/2011-09/30/2012 | 84.010 | 56,700 | 51,995 | 51,995 | |
| | School Improvement - HB Lee MS | 09/01/2011-09/30/2012 | 84.010 | 74,400 | 28,315 | 28,315 | |
| | School Improvement - RMS | 09/01/2011-09/30/2012 | 84.010 | 82,900 | 51,729 | 51,729 | |
| | School Improvement -Woodland | 09/01/2011-09/30/2012 | 84.010 | 55,700 | 45,072 | 45,072 | |
| | | Total | | **8,669,858** | **4,823,528** | **4,823,528** | (1) |
| | Education Jobs Fund ARRA | 08/10/2010-09/30/2012 | 84.410 | **2,445,535** | **35,611** | **35,611** | |
| | ARRA School Improvement Tier III - Alder | 09/01/2010-09/30/2011 | 84.389 | 34,669 | 476 | 476 | |
| | ARRA School Improvement Tier III - Glenfair | 09/01/2010-09/30/2011 | 84.389 | 34,669 | 34,429 | 34,429 | |
| | ARRA School Improvement Tier III - Salish Ponds | 09/01/2010-09/30/2011 | 84.389 | 34,669 | 24,209 | 24,209 | |
| | ARRA School Improvement Tier III - Woodland | 09/01/2010-09/30/2011 | 84.389 | 34,669 | 542 | 542 | |
| | | Total | | **138,676** | **59,656** | **59,656** | (1) |
| | Title IIA Improving Teacher Quality 10/11 | 07/01/2010-06/30/2012 | 84.367 | 435,373 | 204,330 | 204,330 | |
| | Title IIA Improving Teacher Quality 11/12 | 07/01/2011-09/30/2012 | 84.367 | 301,674 | 245,044 | 245,044 | |
| | Title II-A Science Forward | 09/14/2010-08/30/2011 | 84.367 | 10,000 | 7,891 | 7,891 | |
| | | Total | | **747,047** | **457,265** | **457,265** | (1) |
| | Title III English Language Acquisition 10/11 | 07/01/2010-06/30/2012 | 84.365 | 386,680 | 152,171 | 152,171 | |
| | Title III English Language Acquisition 11/12 | 07/01/2011-09/30/2012 | 84.365 | 405,486 | 336,063 | 336,063 | |
| | | Total | | **792,166** | **488,234** | **488,234** | (1) |
| | IDEA Part B YR 10/11 | 07/01/2010-09/30/2012 | 84.027 | 1,778,426 | 875,516 | 875,516 | |
| | IDEA Part B YR 11/12 | 07/01/2011-09/30/2013 | 84.027 | 1,758,898 | 894,083 | 894,083 | |
| | SPR & I IDEA Part B | 08/01/2011-06/30/2012 | 84.027 | 5,864 | 5,864 | 5,864 | |
| | IDEA Enhancement 2011-12 Formula | 10/01/2011-09/30/2012 | 84.027 | 12,731 | 12,731 | 12,731 | |
| | IDEA Extended Assessment 2011-12 Formula | 09/01/2011-06/30/2012 | 84.027 | 3,600 | 3,600 | 3,600 | |
| | | Total | | **3,559,519** | **1,791,794** | **1,791,794** | (1) |
| | Title IV-B After School Learning Centers R5 Y5 | 02/01/2010-09/30/2011 | 84.287 | 276,651 | 41,745 | 41,745 | |
| | Title IV-B After School Learning Centers Cohort 2 Y2 | 07/01/2010-09/30/2011 | 84.287 | 444,274 | 44,736 | 44,736 | |
| | Title IV-B After School Learning Centers Cohort 2 Y3 | 07/01/2011-09/30/2012 | 84.287 | 440,844 | 440,844 | 440,844 | |
| | 21st Century CCLC STEM Initiative | 11/01/2011-06/30/2013 | 84.287 | 20,000 | 12,702 | 12,702 | |
| | | Total | | **1,181,769** | **540,027** | **540,027** | |
| | Perkins Vocational Education YR 10-11 | 07/01/2010-09/30/2011 | 84.048A | 132,103 | 33,839 | 33,839 | |
| | Perkins Vocational Education YR 11-12 | 07/01/2011-09/30/2012 | 84.048A | 135,477 | 120,620 | 120,620 | |
| | | Total | | **267,580** | **154,459** | **154,459** | |
| | Effective Behavior & Instructional Support Systems | 10/01/2010-09/30/2011 | 84.323 | 12,900 | 7,866 | 7,866 | |
| | EBISS District Sub Grants SPDG Extension | 08/01/2011-06/30/2012 | 84.323 | 8,197 | 8,197 | 8,197 | |
| | | Total | | **21,097** | **16,063** | **16,063** | |

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
For the year ended June 30, 2012

| Federal Grantor Pass through Grantor | Program Title | Grant Period | CFDA Number | Grant Amount | 2011-12 Revenues | 2011-12 Expenditures |
|---|---|---|---|---|---|---|
| | Oregon First Robotics | 09/01/2011-06/30/2012 | 84.323 | 6,660 | 6,660 | 6,660 |
| | | Total | | **6,660** | **6,660** | **6,660** |
| | Fresh Fruit and Vegetable Program - Alder | 07/01/2011-09/30/2011 | 10.582 | 3,102 | 3,102 | 3,102 |
| | Fresh Fruit and Vegetable Program - Davis | 07/01/2011-09/30/2011 | 10.582 | 2,627 | 2,627 | 2,627 |
| | Fresh Fruit and Vegetable Program - Fairview | 07/01/2011-09/30/2011 | 10.582 | 2,439 | 2,439 | 2,439 |
| | Fresh Fruit and Vegetable Program - Hartley | 07/01/2011-09/30/2011 | 10.582 | 2,728 | 2,728 | 2,728 |
| | Fresh Fruit and Vegetable Program - Margaret Scott | 07/01/2011-09/30/2011 | 10.582 | 2,390 | 2,390 | 2,390 |
| | Fresh Fruit and Vegetable Program - Salish Ponds | 07/01/2011-09/30/2011 | 10.582 | 2,753 | 2,753 | 2,753 |
| | Fresh Fruit and Vegetable Program - Wilkes | 07/01/2011-09/30/2011 | 10.582 | 2,418 | 2,418 | 2,418 |
| | Fresh Fruit and Vegetable Program - Woodland | 07/01/2011-09/30/2011 | 10.582 | 2,726 | 2,726 | 2,726 |
| | Fresh Fruit and Vegetable Program - Glenfair | 07/01/2011-09/30/2011 | 10.582 | 4,998 | 4,998 | 4,998 |
| | Fresh Fruit and Vegetable Program - Glenfair | 10/01/2011-9/30/2012 | 10.582 | 19,688 | 19,688 | 19,688 |
| | Fresh Fruit and Vegetable Program - Alder | 10/01/2011-9/30/2012 | 10.582 | 21,694 | 21,694 | 21,694 |
| | Fresh Fruit and Vegetable Program - Davis | 10/01/2011-9/30/2012 | 10.582 | 18,118 | 18,118 | 18,118 |
| | Fresh Fruit and Vegetable Program - Fairview | 10/01/2011-9/30/2012 | 10.582 | 16,080 | 16,080 | 16,080 |
| | Fresh Fruit and Vegetable Program - Hartley | 10/01/2011-9/30/2012 | 10.582 | 18,818 | 18,818 | 18,818 |
| | Fresh Fruit and Vegetable Program - Margaret Scott | 10/01/2011-9/30/2012 | 10.582 | 16,656 | 16,656 | 16,656 |
| | Fresh Fruit and Vegetable Program - Salish Ponds | 10/01/2011-9/30/2012 | 10.582 | 18,027 | 18,027 | 18,027 |
| | Fresh Fruit and Vegetable Program - Wilkes | 10/01/2011-9/30/2012 | 10.582 | 16,682 | 16,682 | 16,682 |
| | Fresh Fruit and Vegetable Program - Woodland | 10/01/2011-9/30/2012 | 10.582 | 19,363 | 19,363 | 19,363 |
| | | Total | | **191,307** | **191,307** | **191,307** |
| | FEMA Disaster Fund | 2010-2012 | 97.036 | 23,234 | 23,234 | 23,234 |
| | | | | **23,234** | **23,234** | **23,234** |
| | Acquisition Value of Federal Surplus Property | 2011-2012 | 39.003 | 16,603 | 16,603 | 16,603 |
| | | | | **16,603** | **16,603** | **16,603** |
| **Passed through Multnomah Education Service District** | | | | | | |
| | OYCC/MYC (Federal Portion) GRNT0846 | 06/01/2011-08/31/2012 | 10.688 | 27,192 | 1,662 | 1,662 |
| | | Total | | **27,192** | **1,662** | **1,662** |
| **Direct Federal Grants** | | | | | | |
| | Title VII Indian Education YR 10/11 | 07/01/2010-09/30/2011 | 84.060A | 10,917 | 3,276 | 3,276 |
| | Title VII Indian Education YR 11/12 | 07/01/2011-09/30/2012 | 84.060A | 9,955 | 9,955 | 9,955 |
| | | Total | | **20,872** | **13,231** | **13,231** |
| **Total U.S. Department of Education** | | | | **18,109,115** | **8,619,334** | **8,619,334** |
| **US Department of Agriculture - Special Revenue Fund:** | | | | | | |
| **Passed through Oregon State Department of Education** | | | | | | |
| | USDA Commodities | 2011-2012 | 10.550 | 286,744 | 286,744 | 286,744 |
| | National School Lunch Program | 2011-2012 | 10.555 | 2,904,160 | 2,904,160 | 2,904,160 |
| | Summer Feeding Program | 2011-2012 | 10.559 | 66,615 | 66,615 | 66,615 |
| | National School Breakfast | 2011-2012 | 10.553 | 976,152 | 976,152 | 976,152 |
| | Child Care | 2011-2012 | 10.558 | 141,399 | 141,399 | 141,399 |
| **Total U.S. Department of Agriculture** | | Total | | **4,375,070** | **4,375,070** | **4,375,070** |
| **Totals** | | | | **$ 22,484,185** | **$ 12,994,404** | **$ 12,994,404** |

(1) Major Program

**MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7**
MULTNOMAH COUNTY, OREGON

OTHER INFORMATION

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**MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7**
**MULTNOMAH COUNTY, OREGON**

**SCHEDULE OF FUTURE REQUIREMENTS OF BONDED DEBT**
**June 30, 2012**

| | G.O. Bond Refunding Issue of 10/1/01 | | G.O. Bond Refunding Issue of 3/1/05 | |
|---|---|---|---|---|
| YEAR | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST |
| | Due 6/15 | Due 6/15 & 12/15 | PRINCIPAL | INTEREST |
| 2012-13 | $ 2,145,000 | $ 361,800 | $ 2,470,000 | $ 1,466,700 |
| 2013-14 | 2,265,000 | 243,825 | 2,715,000 | 1,350,250 |
| 2014-15 | 2,385,000 | 119,250 | 2,980,000 | 1,214,500 |
| 2015-16 | - | - | 3,585,000 | 1,066,000 |
| 2016-17 | - | - | 3,900,000 | 886,750 |
| 2017-21 | - | - | 13,835,000 | 1,420,500 |
| TOTALS | $ 6,795,000 | $ 724,875 | $ 29,485,000 | $ 7,404,700 |

| | Pension Obligation Bond Issue 4/21/03 | | QZAB Series 2004 | |
|---|---|---|---|---|
| YEAR | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST |
| | Due 6/30 | Due 6/30 & 12/15 | Due 6/15 | |
| 2012-13 | $ 2,147,030 | $ 3,868,459 | $ 122,310 | $ - |
| 2013-14 | 2,172,982 | 4,152,508 | 122,310 | - |
| 2014-15 | 2,177,791 | 4,472,699 | 122,310 | - |
| 2015-16 | 2,179,301 | 4,811,188 | 122,310 | - |
| 2016-17 | 2,180,983 | 5,159,507 | 122,310 | - |
| 2017-22 | 10,736,015 | 31,821,434 | 244,620 | - |
| 2022-27 | 39,499,477 | 14,437,950 | - | - |
| 2027-31 | 5,160,000 | 293,088 | - | - |
| TOTALS | $ 66,253,579 | $ 69,016,833 | $ 856,170 | $ - |

| | Full Faith and Credit Refunding Obligations, Series 2010 | | TOTAL ALL BOND ISSUES | |
|---|---|---|---|---|
| YEAR | PRINCIPAL | INTEREST | | |
| | Due 6/30 | Due 6/30 & 12/30 | PRINCIPAL | INTEREST |
| 2012-13 | $ 615,000 | $ 1,026,312 | $ 7,499,340 | $ 6,723,271 |
| 2013-14 | 630,000 | 1,010,938 | 7,905,292 | 6,757,521 |
| 2014-15 | 650,000 | 992,038 | 8,315,101 | 6,798,487 |
| 2015-16 | 670,000 | 972,538 | 6,556,611 | 6,849,726 |
| 2016-17 | 690,000 | 952,438 | 6,893,293 | 6,998,695 |
| 2017-22 | 3,960,000 | 4,291,940 | 28,775,635 | 37,533,874 |
| 2022-27 | 4,835,000 | 3,371,662 | 44,334,477 | 17,809,612 |
| 2027-32 | 6,135,000 | 2,067,750 | 11,295,000 | 2,360,838 |
| 2032-35 | 4,470,000 | 454,500 | 4,470,000 | 454,500 |
| TOTALS | $ 22,655,000 | $ 15,140,116 | $ 126,044,749 | $ 92,286,524 |

**MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7**
**MULTNOMAH COUNTY, OREGON**

**SUPPLEMENTAL INFORMATION**
**As Required by The Oregon Deptment of Education**
**For the year ended June 30, 2012**

**A.** Energy bills for heating - all funds:

| | | Objects 325 and 326 |
|---|---|---|
| Function 2545 | $ | 1,182,823 |
| Function 2550 | | 61,846 |

**B.** Replacement of equipment - General Fund:
Include all General Fund expenditures in Object 542, except for the following exclusions:

| Exclude these functions: | | | | Amount |
|---|---|---|---|---|
| 1113, 1122 & 1132 | Co-curricular activities | 4150 | Construction | $ - |
| 1140 | Pre-kindergarten | 2550 | Pupil transportation | |
| 1300 | Continuing education | 3100 | Food service | |
| 1400 | Summer school | 3300 | Community services | |

## *2011 - 12 DISTRICT AUDIT REVENUE SUMMARY*
## *Multnomah County School District No. 7*

| Revenue from Local Sources | Fund 100 | Fund 200 | Fund 300 | Fund 400 |
|---|---|---|---|---|
| 1110 Ad Valorem Taxes Levied by District | $ 20,797,121 | | $ 6,204,177 | |
| 1120 Local Option Ad Valorem Taxes Levied by District | | | | |
| 1130 Construction Excise Tax | | | | |
| 1190 Penalties and Interest on Taxes | $ 4,185 | | $ 1,250 | |
| 1200 Revenue from Local Governmental Units Other Than Districts | | | | |
| 1311 Regular Day School Tuition - From Individuals | | | | |
| 1312 Regular Day School Tuition - Other Dist Within State | $ 94,362 | | | |
| 1313 Regular Day School Tuition - Other Districts Outside | | | | |
| 1320 Adult/Continuing Education Tuition | | | | |
| 1330 Summer School Tuition | | | | |
| 1411 Transportation Fees - From Individuals | $ 221,747 | | | |
| 1412 Transportation Fees - Other Dist Within State | | $ 7,242 | | |
| 1413 Transportation Fees - Other Districts Outside | | | | |
| 1420 Summer School Transportation Fees | | | | |
| 1500 Earnings on Investments | $ 181,298 | $ 5,607 | $ 29,981 | $ 8,687 |
| 1600 Food Service | | $ 490,299 | | |
| 1700 Extracurricular Activiies | $ 2,670 | | | |
| 1800 Community Services Activities | | | | |
| 1910 Rentals | $ 46,383 | | | |
| 1920 Contributions and Donations From Private Sources | | | | |
| 1930 Rental or Lease Payments From Private Contractors | | | | |
| 1940 Services Provided Other Local Education Agencies | | | | |
| 1950 Textbook Sales and Rentals | | | | |
| 1960 Recovery of Prior Years' Expenditure | | | | |
| 1970 Services Provided Other Funds | | | $ 5,701,935 | |
| 1980 Fees Charged to Grants | $ 198,186 | | | |
| 1990 Miscellaneous | $ (6,155) | $ 679,954 | | |
| **Total Revenue from Local Sources** | $ 21,539,797 | $ 1,183,102 | $ 11,937,343 | $ 8,687 |

| Revenue from Intermediate Sources | Fund 100 | Fund 200 | Fund 300 | Fund 400 |
|---|---|---|---|---|
| 2101 County School Funds | $ 6,364 | | | |
| 2102 General ESD Revenue | | | | |
| 2103 Excess ESD Local Revenue | | | | |
| 2105 Natural Gas, Oil, and Mineral Receipts | | | | |
| 2110 Intermediate "I" Tax | | $ 28,081 | | |
| 2199 Other Intemediate Sources | $ 20,079 | $ 144,241 | | $ 46,090 |
| 2200 Restricted Revenue | | $ 183,623 | | |
| 2800 Revenue in Lieu of Taxes | | | | |
| 2900 Revenue for/on Behalf of the District | | | | |
| **Total Revenue from Intermediate Sources** | $ 26,443 | $ 355,945 | $ - | $ 46,090 |

| Revenue from State Sources | Fund 100 | Fund 200 | Fund 300 | Fund 400 |
|---|---|---|---|---|
| 3101 State School Fund - General Support | $ 65,188,397 | | | |
| 3102 State School Fund - School Lunch Match | | | | |
| 3103 Common School Fund | $ 1,057,163 | | | |
| 3104 State Managed County Timber | | | | |
| 3106 State School Fund - Accrual | | | | |
| 3199 Other Unrestricted Grants-in-Aid | $ 596,129 | | | |
| 3203 MYC Fee for Service | | $ 26,540 | | |
| 3204 Driver Education | | $ 34,650 | | |
| 3222 State School Fund (SSF) Transportation Equipment | | | | |
| 3299 Other Restricted Grants-in-Aid | $ 2,698,922 | | | |
| 3800 Revenue in Lieu of Taxes | | | | |
| 3900 Revenue for/on Behalf of the District | | | | |
| **Total Revenue from State Sources** | $ 69,540,611 | $ 61,190 | $ - | $ - |

| Revenue from Federal Sources | Fund 100 | Fund 200 | Fund 300 | Fund 400 |
|---|---|---|---|---|
| 4100 Unrestricted Revenue Direct From the Federal Government | | | | |
| 4200 Unrestricted Revenue From the Federal Government Through the State | | | | |
| 4300 Restricted Revenue From the Federal Government | | | | |
| 4500 Restricted Revenue From the Federal Government Through the State | $ 75,446 | $ 12,935,079 | | |
| 4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies | | | | |
| 4801 Federal Forest Fees | | | | |
| 4802 Impact Aid to School Districts for Operation (PL 874) | | | | |
| 4803 Coos Bay Wagon Road Funds | | | | |
| 4899 Other Revenue in Lieu of Taxes | | | | |
| 4900 Revenue for/on Behalf of the District | | | | |
| **Total Revenue from Federal Sources** | $ 75,446 | $ 12,935,079 | $ - | $ - |

| Revenue from Other Sources | Fund 100 | Fund 200 | Fund 300 | Fund 400 |
|---|---|---|---|---|
| 5100 Long Term Debt Financing Sources | $ 16,954 | | | |
| 5200 Interfund Transfers | | $ 905,000 | | |
| 5300 Sale of or Compensation for Loss of Fixed Assets | | | | |
| 5400 Resources - Beginning Fund Balance | $ 18,618,115 | $ 2,404,816 | $ 215,575 | $ 2,692,076 |
| **Total Revenue from Other Sources** | $ 18,635,069 | $ 3,309,816 | $ 215,575 | $ 2,692,076 |

| **Grand Totals** | $ 109,817,366 | $ 17,845,132 | $ 12,152,918 | $ 2,746,853 |
|---|---|---|---|---|

## *2011 - 12 DISTRICT AUDIT EXPENDITURE SUMMARY*
## *Multnomah County School District No. 7*

**Fund: 100 General Fund**

| Instruction Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 1111 Primary, K-3 | $ 16,252,568 | $ 11,410,385 | $ 4,581,440 | $ 3,479 | $ 257,265 | $ - | | |
| 1112 Intermediate Programs | $ - | $ - | | | | | | |
| 1113 Elementary Extracurricular | $ - | | | | | | | |
| 1121 Middle/Junior High Programs | $ 8,243,508 | $ 5,657,955 | $ 2,253,867 | $ 155,394 | $ 175,319 | $ - | $ 973 | |
| 1122 Middle/Junior High School Extracurricular | $ 76,818 | $ 56,608 | $ 16,679 | $ 75 | $ 3,456 | | | |
| 1131 High School Programs | $ 8,528,690 | $ 5,860,118 | $ 2,320,126 | $ 101,614 | $ 245,617 | $ - | $ 1,215 | |
| 1132 High School Extracurricular | $ 524,412 | $ 326,388 | $ 79,369 | $ 74,618 | $ 37,360 | $ - | $ 6,677 | |
| 1140 Pre-Kindergarten Programs | $ - | | | | | | | |
| 1210 Programs for the Talented and Gifted | $ 57,152 | $ 37,073 | $ 9,037 | $ 3,080 | $ 7,824 | $ - | $ 138 | |
| 1220 Restrictive Programs for Students with Disabilities | $ 6,120,833 | $ 3,014,983 | $ 1,434,033 | $ 1,649,241 | $ 22,576 | | | |
| 1250 Less Restrictive Programs for Students with Disabilities | $ 5,503,381 | $ 3,652,324 | $ 1,849,772 | $ 951 | $ 285 | $ - | $ 50 | |
| 1260 Treatment and Habilitation | $ - | | | | | | | |
| 1271 Remediation | $ - | | | | | | | |
| 1272 Title I | $ - | | | | | | | |
| 1280 Alternative Education | $ 6,541,948 | $ 1,257,740 | $ 514,746 | $ 4,744,573 | $ 24,888 | | | |
| 1291 English Second Language Programs | $ 3,810,022 | $ 2,643,228 | $ 1,126,692 | $ 6,520 | $ 33,582 | | | |
| 1292 Teen Parent Program | $ - | | | | | | | |
| 1293 Migrant Education | $ - | | | | | | | |
| 1294 Youth Corrections Education | $ - | | | | | | | |
| 1299 Other Programs | $ - | | | | | | | |
| 1300 Adult/Continuing Education Programs | $ - | | | | | | | |
| 1400 Summer School Programs | $ - | | | | | | | |
| **Total Instruction Expenditures** | $ 55,659,333 | $ 33,916,801 | $ 14,185,761 | $ 6,739,547 | $ 808,171 | $ - | $ 9,053 | $ - |

| Support Services Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 2110 Attendance and Social Work Services | $ 1,145,927 | $ 597,330 | $ 298,357 | $ 249,549 | $ 690 | | | |
| 2120 Guidance Services | $ 2,209,532 | $ 1,568,863 | $ 640,602 | $ 67 | | | | |
| 2130 Health Services | $ - | | | | | | | |
| 2140 Psychological Services | $ 555,189 | $ 398,821 | $ 155,702 | $ - | $ 666 | | | |
| 2150 Speech Pathology and Audiology Services | $ 1,240,951 | $ 849,366 | $ 352,656 | $ 38,656 | $ 274 | | | |
| 2160 Other Student Treatment Services | $ 460,957 | $ 331,776 | $ 128,708 | $ 473 | | | | |
| 2190 Service Direction, Student Support Services | $ 682,485 | $ 387,038 | $ 146,207 | $ 87,636 | $ 48,824 | $ - | $ 12,780 | |
| 2210 Improvement of Instruction Services | $ 1,211,704 | $ 357,237 | $ 163,713 | $ 32,024 | $ 634,353 | $ - | $ 24,376 | |
| 2220 Educational Media Services | $ 988,819 | $ 614,473 | $ 288,263 | $ 289 | $ 85,795 | | | |
| 2230 Assessment & Testing | $ 140,858 | $ 98,328 | $ 42,530 | | | | | |
| 2240 Instructional Staff Development | $ - | | | | | | | |
| 2310 Board of Education Services | $ 572,078 | $ 39,782 | $ 15,323 | $ 406,889 | $ 30,820 | $ - | $ 79,264 | |
| 2320 Executive Administration Services | $ 389,273 | $ 217,830 | $ 78,253 | $ 67,761 | $ 17,898 | $ - | $ 7,530 | |
| 2410 Office of the Principal Services | $ 6,969,005 | $ 4,586,340 | $ 2,196,314 | $ 40,172 | $ 144,499 | $ - | $ 1,679 | |
| 2490 Other Support Services - School Administration | $ - | | | | | | | |
| 2510 Direction of Business Support Services | $ - | | | | | | | |
| 2520 Fiscal Services | $ 1,162,459 | $ 652,339 | $ 298,269 | $ 128,260 | $ 49,516 | $ - | $ 34,075 | |
| 2540 Operation and Maintenance of Plant Services | $ 8,203,996 | $ 2,687,843 | $ 1,343,848 | $ 3,283,860 | $ 618,232 | $ 65,503 | $ 204,709 | |
| 2550 Student Transportation Services | $ 6,480,587 | $ 2,755,089 | $ 1,566,387 | $ 493,144 | $ 653,109 | $ 16,954 | $ 995,905 | |
| 2570 Internal Services | $ 176,271 | $ 90,171 | $ 44,446 | $ - | $ 41,654 | | | |
| 2610 Direction of Central Support Services | $ - | | | | | | | |
| 2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services | $ - | | | | | | | |
| 2630 Information Services | $ 216,200 | $ 115,980 | $ 43,195 | $ 35,646 | $ 16,480 | $ - | $ 4,900 | |
| 2640 Staff Services | $ 823,638 | $ 301,717 | $ 414,763 | $ 73,115 | $ 6,673 | $ - | $ 27,370 | |
| 2660 Technology Services | $ 1,194,338 | $ 444,769 | $ 187,429 | $ 81,567 | $ 349,928 | $ 130,346 | $ 300 | |
| 2670 Records Management Services | $ - | | | | | | | |
| 2690 Other Support Services - Central | $ - | | | | | | | |
| 2700 Supplemental Retirement Program | $ 90,540 | $ 90,540 | | | | | | |
| **Total Support Services Expenditures** | $ 34,914,806 | $ 17,185,632 | $ 8,404,965 | $ 5,019,108 | $ 2,699,410 | $ 212,803 | $ 1,392,888 | $ - |

| Enterprise and Community Services Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 3100 Food Services | $ - | | | | | | | |
| 3200 Other Enterprise Services | $ - | | | | | | | |
| 3300 Community Services | $ 19,281 | $ 14,790 | $ 4,491 | | | | | |
| 3500 Custody and Care of Children Services | $ 126,222 | $ 82,095 | $ 39,356 | $ - | $ 4,771 | | | |
| **Total Enterprise and Community Services Expenditures** | $ 145,503 | $ 96,885 | $ 43,848 | $ - | $ 4,771 | $ - | $ - | $ - |

| Facilities Acquisition and Construction Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 4110 Service Area Direction | $ - | | | | | | | |
| 4120 Site Acquisition and Development Services | $ - | | | | | | | |
| 4150 Building Acquisition, Construction, and Improvement Services | $ - | | | | | | | |
| 4190 Other Facilities Construction Services | $ - | | | | | | | |
| **Total Facilities Acquisition and Construction Expenditures** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| Other Uses Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 5100 Debt Service | $ 727,310 | | | | | | $ 727,310 | |
| 5200 Transfers of Funds | $ 905,000 | | | | | | | $ 905,000 |
| 5300 Apportionment of Funds by ESD | $ - | | | | | | | |
| 5400 PERS UAL Bond Lump Sum | $ - | | | | | | | |
| **Total Other Uses Expenditures** | $ 1,632,310 | $ - | $ - | $ - | $ - | $ - | $ 727,310 | $ 905,000 |
| **Grand Total** | $ 92,351,952 | $ 51,199,317 | $ 22,634,573 | $ 11,758,654 | $ 3,512,353 | $ 212,803 | $ 2,129,251 | $ 905,000 |

## *2011 - 12 DISTRICT AUDIT EXPENDITURE SUMMARY*
## *Multnomah County School District No. 7*

Fund: 200 Special Revenue Funds

| Instruction Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 1111 Primary, K-3 | $10,109 | $6,149 | $1,545 | | $2,414 | | | |
| 1112 Intermediate Programs | $2,498 | | | | $2,498 | | | |
| 1113 Elementary Extracurricular | $0 | | | | | | | |
| 1121 Middle/Junior High Programs | $40,431 | $2,753 | $593 | $27,694 | $9,390 | | | |
| 1122 Middle/Junior High School Extracurricular | $46 | | | | $46 | | | |
| 1131 High School Programs | $124,470 | $86,629 | $14,762 | $4,382 | $15,617 | $0 | $3,080 | |
| 1132 High School Extracurricular | $35,291 | $16,724 | $6,704 | $365 | $11,499 | | | |
| 1140 Pre-Kindergarten Programs | $0 | | | | | | | |
| 1210 Programs for the Talented and Gifted | $0 | | | | | | | |
| 1220 Restrictive Programs for Students with Disabilities | $994,412 | $423,528 | $209,003 | $96,242 | $222,086 | $0 | $43,552 | |
| 1250 Less Restrictive Programs for Students with Disabilities | $261,304 | $160,758 | $94,897 | $923 | $4,330 | $0 | $395 | |
| 1260 Treatment and Habilitation | $0 | | | | | | | |
| 1271 Remediation | $557,348 | $187,309 | $43,879 | $265,668 | $38,594 | $8,333 | $13,565 | |
| 1272 Title I | $3,733,362 | $1,711,560 | $666,005 | $714,681 | $640,517 | $0 | $599 | |
| 1280 Alternative Education | $34,417 | $14,215 | $6,913 | $5,330 | $7,959 | | | |
| 1291 English Second Language Programs | $4,443 | | | | $4,443 | | | |
| 1292 Teen Parent Program | $0 | | | | | | | |
| 1293 Migrant Education | $0 | | | | | | | |
| 1294 Youth Corrections Education | $0 | | | | | | | |
| 1299 Other Programs | $0 | | | | | | | |
| 1300 Adult/Continuing Education Programs | $0 | | | | | | | |
| 1400 Summer School Programs | $0 | | | | | | | |
| **Total Instruction Expenditures** | $5,798,130 | $2,609,626 | $1,044,302 | $1,115,286 | $959,393 | $8,333 | $61,190 | $0 |

| Support Services Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 2110 Attendance and Social Work Services | $52,054 | $35,811 | $13,804 | $0 | $2,439 | | | |
| 2120 Guidance Services | $80,170 | $37,799 | $15,541 | $0 | $26,830 | | | |
| 2130 Health Services | $0 | | | | | | | |
| 2140 Psychological Services | $2,157 | $265 | $69 | $197 | $1,626 | | | |
| 2150 Speech Pathology and Audiology Services | $0 | | | | | | | |
| 2160 Other Student Treatment Services | $29,192 | | | $17,302 | $11,890 | | | |
| 2190 Service Direction, Student Support Services | $348,468 | $242,897 | $102,098 | $525 | $2,790 | $0 | $158 | |
| 2210 Improvement of Instruction Services | $1,345,811 | $869,976 | $350,211 | $12,195 | $71,550 | $0 | $41,879 | |
| 2220 Educational Media Services | $0 | | | | | | | |
| 2230 Assessment & Testing | $3,600 | $3,034 | $566 | | | | | |
| 2240 Instructional Staff Development | $552,659 | $210,742 | $47,005 | $205,294 | $17,109 | $0 | $72,510 | |
| 2310 Board of Education Services | $0 | | | | | | | |
| 2320 Executive Administration Services | $0 | | | | | | | |
| 2410 Office of the Principal Services | $1,748 | $1,350 | $119 | $0 | $279 | | | |
| 2490 Other Support Services - School Administration | $265,573 | $106,081 | $46,395 | $0 | $0 | $0 | $113,096 | |
| 2510 Direction of Business Support Services | $0 | | | | | | | |
| 2520 Fiscal Services | $0 | | | | | | | |
| 2540 Operation and Maintenance of Plant Services | $117,289 | | | $8,740 | $7,805 | $100,744 | | |
| 2550 Student Transportation Services | $3,823 | (261.32) | $4,084 | | | | | |
| 2570 Internal Services | $0 | | | | | | | |
| 2610 Direction of Central Support Services | $0 | | | | | | | |
| 2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services | $0 | | | | | | | |
| 2630 Information Services | $0 | | | | | | | |
| 2640 Staff Services | $0 | | | | | | | |
| 2660 Technology Services | $12,263 | | | | $12,263 | | | |
| 2670 Records Management Services | $0 | | | | | | | |
| 2690 Other Support Services - Central | $0 | | | | | | | |
| 2700 Supplemental Retirement Program | $793,791 | $310,018 | $483,773 | | | | | |
| **Total Support Services Expenditures** | $3,608,599 | $1,817,712 | $1,063,664 | $244,253 | $154,582 | $100,744 | $227,643 | $0 |

| Enterprise and Community Services Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 3100 Food Services | $4,838,726 | $1,358,578 | $786,932 | $2,035,169 | $526,306 | $106,826 | $24,916 | |
| 3200 Other Enterprise Services | $0 | | | | | | | |
| 3300 Community Services | $124,502 | $31,413 | $14,434 | $16,725 | $58,780 | $0 | $3,151 | |
| 3500 Custody and Care of Children Services | $0 | | | | | | | |
| **Total Enterprise and Community Services Expenditures** | $4,963,228 | $1,389,991 | $801,365 | $2,051,893 | $585,085 | $106,826 | $28,068 | $0 |

| Facilities Acquisition and Construction Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 4110 Service Area Direction | $0 | | | | | | | |
| 4120 Site Acquisition and Development Services | $0 | | | | | | | |
| 4150 Building Acquisition, Construction, and Improvement Services | $0 | | | | | | | |
| 4190 Other Facilities Construction Services | $0 | | | | | | | |
| **Total Facilities Acquisition and Construction Expenditures** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| Other Uses Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 5100 Debt Service | $0 | | | | | | | |
| 5200 Transfers of Funds | $0 | | | | | | | |
| 5300 Apportionment of Funds by ESD | $0 | | | | | | | |
| 5400 PERS UAL Bond Lump Sum | $0 | | | | | | | |
| **Total Other Uses Expenditures** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **Grand Total** | $14,369,957 | $5,817,329 | $2,909,332 | $3,411,432 | $1,699,061 | $215,903 | $316,901 | $0 |

## *2011 - 12 DISTRICT AUDIT EXPENDITURE SUMMARY*
## *Multnomah County School District No. 7*

**Fund: 300 Debt Service Funds**

| Instruction Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 1111 Primary, K-3 | $0 | | | | | | | |
| 1112 Intermediate Programs | $0 | | | | | | | |
| 1113 Elementary Extracurricular | $0 | | | | | | | |
| 1121 Middle/Junior High Programs | $0 | | | | | | | |
| 1122 Middle/Junior High School Extracurricular | $0 | | | | | | | |
| 1131 High School Programs | $0 | | | | | | | |
| 1132 High School Extracurricular | $0 | | | | | | | |
| 1140 Pre-Kindergarten Programs | $0 | | | | | | | |
| 1210 Programs for the Talented and Gifted | $0 | | | | | | | |
| 1220 Restrictive Programs for Students with Disabilities | $0 | | | | | | | |
| 1250 Less Restrictive Programs for Students with Disabilities | $0 | | | | | | | |
| 1260 Treatment and Habilitation | $0 | | | | | | | |
| 1271 Remediation | $0 | | | | | | | |
| 1272 Title I | $0 | | | | | | | |
| 1280 Alternative Education | $0 | | | | | | | |
| 1291 English Second Language Programs | $0 | | | | | | | |
| 1292 Teen Parent Program | $0 | | | | | | | |
| 1293 Migrant Education | $0 | | | | | | | |
| 1294 Youth Corrections Education | $0 | | | | | | | |
| 1299 Other Programs | $0 | | | | | | | |
| 1300 Adult/Continuing Education Programs | $0 | | | | | | | |
| 1400 Summer School Programs | $0 | | | | | | | |
| **Total Instruction Expenditures** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| Support Services Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 2110 Attendance and Social Work Services | $0 | | | | | | | |
| 2120 Guidance Services | $0 | | | | | | | |
| 2130 Health Services | $0 | | | | | | | |
| 2140 Psychological Services | $0 | | | | | | | |
| 2150 Speech Pathology and Audiology Services | $0 | | | | | | | |
| 2160 Other Student Treatment Services | $0 | | | | | | | |
| 2190 Service Direction, Student Support Services | $0 | | | | | | | |
| 2210 Improvement of Instruction Services | $0 | | | | | | | |
| 2220 Educational Media Services | $0 | | | | | | | |
| 2230 Assessment & Testing | $0 | | | | | | | |
| 2240 Instructional Staff Development | $0 | | | | | | | |
| 2310 Board of Education Services | $0 | | | | | | | |
| 2320 Executive Administration Services | $0 | | | | | | | |
| 2410 Office of the Principal Services | $0 | | | | | | | |
| 2490 Other Support Services - School Administration | $0 | | | | | | | |
| 2510 Direction of Business Support Services | $0 | | | | | | | |
| 2520 Fiscal Services | $0 | | | | | | | |
| 2540 Operation and Maintenance of Plant Services | $0 | | | | | | | |
| 2550 Student Transportation Services | $0 | | | | | | | |
| 2570 Internal Services | $0 | | | | | | | |
| 2610 Direction of Central Support Services | $0 | | | | | | | |
| 2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services | $0 | | | | | | | |
| 2630 Information Services | $0 | | | | | | | |
| 2640 Staff Services | $0 | | | | | | | |
| 2660 Technology Services | $0 | | | | | | | |
| 2670 Records Management Services | $0 | | | | | | | |
| 2690 Other Support Services - Central | $0 | | | | | | | |
| 2700 Supplemental Retirement Program | $0 | | | | | | | |
| **Total Support Services Expenditures** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| Enterprise and Community Services Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 3100 Food Services | $0 | | | | | | | |
| 3200 Other Enterprise Services | $0 | | | | | | | |
| 3300 Community Services | $0 | | | | | | | |
| 3500 Custody and Care of Children Services | $0 | | | | | | | |
| **Total Enterprise and Community Services Expenditures** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| Facilities Acquisition and Construction Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 4110 Service Area Direction | $0 | | | | | | | |
| 4120 Site Acquisition and Development Services | $0 | | | | | | | |
| 4150 Building Acquisition, Construction, and Improvement Services | $0 | | | | | | | |
| 4190 Other Facilities Construction Services | $0 | | | | | | | |
| **Total Facilities Acquisition and Construction Expenditures** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| Other Uses Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 5100 Debt Service | $12,039,265 | | | | | | $12,039,265 | |
| 5200 Transfers of Funds | $0 | | | | | | | |
| 5300 Apportionment of Funds by ESD | $0 | | | | | | | |
| 5400 PERS UAL Bond Lump Sum | $0 | | | | | | | |
| **Total Other Uses Expenditures** | $12,039,265 | $0 | $0 | $0 | $0 | $0 | $12,039,265 | $0 |
| **Grand Total** | $12,039,265 | $0 | $0 | $0 | $0 | $0 | $12,039,265 | $0 |

## *2011 - 12 DISTRICT AUDIT EXPENDITURE SUMMARY*
### *Multnomah County School District No. 7*

**Fund: 400 Capital Projects Funds**

| **Instruction Expenditures** | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 1111 Primary, K-3 | $0 | | | | | | | |
| 1112 Intermediate Programs | $0 | | | | | | | |
| 1113 Elementary Extracurricular | $0 | | | | | | | |
| 1121 Middle/Junior High Programs | $0 | | | | | | | |
| 1122 Middle/Junior High School Extracurricular | $0 | | | | | | | |
| 1131 High School Programs | $0 | | | | | | | |
| 1132 High School Extracurricular | $0 | | | | | | | |
| 1140 Pre-Kindergarten Programs | $0 | | | | | | | |
| 1210 Programs for the Talented and Gifted | $0 | | | | | | | |
| 1220 Restrictive Programs for Students with Disabilities | $0 | | | | | | | |
| 1250 Less Restrictive Programs for Students with Disabilities | $0 | | | | | | | |
| 1260 Treatment and Habilitation | $0 | | | | | | | |
| 1271 Remediation | $0 | | | | | | | |
| 1272 Title I | $0 | | | | | | | |
| 1280 Alternative Education | $0 | | | | | | | |
| 1291 English Second Language Programs | $0 | | | | | | | |
| 1292 Teen Parent Program | $0 | | | | | | | |
| 1293 Migrant Education | $0 | | | | | | | |
| 1294 Youth Corrections Education | $0 | | | | | | | |
| 1299 Other Programs | $0 | | | | | | | |
| 1300 Adult/Continuing Education Programs | $0 | | | | | | | |
| 1400 Summer School Programs | $0 | | | | | | | |
| **Total Instruction Expenditures** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| **Support Services Expenditures** | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 2110 Attendance and Social Work Services | $0 | | | | | | | |
| 2120 Guidance Services | $0 | | | | | | | |
| 2130 Health Services | $0 | | | | | | | |
| 2140 Psychological Services | $0 | | | | | | | |
| 2150 Speech Pathology and Audiology Services | $0 | | | | | | | |
| 2160 Other Student Treatment Services | $0 | | | | | | | |
| 2190 Service Direction, Student Support Services | $0 | | | | | | | |
| 2210 Improvement of Instruction Services | $0 | | | | | | | |
| 2220 Educational Media Services | $0 | | | | | | | |
| 2230 Assessment & Testing | $0 | | | | | | | |
| 2240 Instructional Staff Development | $0 | | | | | | | |
| 2310 Board of Education Services | $0 | | | | | | | |
| 2320 Executive Administration Services | $0 | | | | | | | |
| 2410 Office of the Principal Services | $0 | | | | | | | |
| 2490 Other Support Services - School Administration | $0 | | | | | | | |
| 2510 Direction of Business Support Services | $0 | | | | | | | |
| 2520 Fiscal Services | $0 | | | | | | | |
| 2540 Operation and Maintenance of Plant Services | $0 | | | | | | | |
| 2550 Student Transportation Services | $0 | | | | | | | |
| 2570 Internal Services | $0 | | | | | | | |
| 2610 Direction of Central Support Services | $0 | | | | | | | |
| 2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services | $0 | | | | | | | |
| 2630 Information Services | $0 | | | | | | | |
| 2640 Staff Services | $0 | | | | | | | |
| 2660 Technology Services | $0 | | | | | | | |
| 2670 Records Management Services | $0 | | | | | | | |
| 2690 Other Support Services - Central | $0 | | | | | | | |
| 2700 Supplemental Retirement Program | $0 | | | | | | | |
| **Total Support Services Expenditures** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| **Enterprise and Community Services Expenditures** | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 3100 Food Services | $0 | | | | | | | |
| 3200 Other Enterprise Services | $0 | | | | | | | |
| 3300 Community Services | $0 | | | | | | | |
| 3500 Custody and Care of Children Services | $0 | | | | | | | |
| **Total Enterprise and Community Services Expenditures** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| **Facilities Acquisition and Construction Expenditures** | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 4110 Service Area Direction | $0 | | | | | | | |
| 4120 Site Acquisition and Development Services | $0 | | | | | | | |
| 4150 Building Acquisition, Construction, and Improvement Services | $0 | | | | | | | |
| 4190 Other Facilities Construction Services | $0 | | | | | | | |
| **Total Facilities Acquisition and Construction Expenditures** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| **Other Uses Expenditures** | Totals | Object 100 | Object 200 | Object 300 | Object 400 | Object 500 | Object 600 | Object 700 |
|---|---|---|---|---|---|---|---|---|
| 5100 Debt Service | $1,038,413 | | | | | | $1,038,413 | |
| 5200 Transfers of Funds | $0 | | | | | | | |
| 5300 Apportionment of Funds by ESD | $0 | | | | | | | |
| 5400 PERS UAL Bond Lump Sum | $0 | | | | | | | |
| **Total Other Uses Expenditures** | $1,038,413 | $0 | $0 | $0 | $0 | $0 | $1,038,413 | $0 |
| **Grand Total** | $1,038,413 | $0 | $0 | $0 | $0 | $0 | $1,038,413 | $0 |

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**MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7**
MULTNOMAH COUNTY, OREGON

INEDPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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PAULY, ROGERS AND CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

• 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
• (503) 620-2632 • FAX (503) 684-7523

December 5, 2012

## Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of Multnomah County School District No. 7 as of and for the year ended June 30, 2012, and have issued our report thereon dated December 5, 2012. 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 Statues 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 Multnomah County School District No. 7 was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

1. We noted two instances where there was noncompliance with reporting of teacher experience. This is required in the calculation and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2012.

2. Expenditures of the various funds were within authorized appropriations except as noted on page 18.

**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.

Pauly, Rogers and Co. P.C.

PAULY, ROGERS AND CO., P.C.

**MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7**
MULTNOMAH COUNTY, OREGON

GRANT COMPLIANCE REVIEW

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PAULY, ROGERS AND CO., P.C.
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December 5, 2012

To the Board of Directors
Multnomah County School District No. 7
Multnomah 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 the financial statements of Multnomah County School District No. 7 as of and for the year ended June 30, 2012, and have issued our report thereon dated December 5, 2012. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered internal control 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 control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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.

**Compliance and Other Matters**

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 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.*

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Pauly, Rogers and Co., P.C.

PAULY, ROGERS AND CO., P.C.

PAULY, ROGERS AND CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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December 5, 2012

To the Board of Directors
Multnomah County School District No. 7
Multnomah County, Oregon

**Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

**Compliance**

We have audited the compliance of Multnomah County School District No. 7 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The major federal programs are identified in the schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of compliance with those requirements.

In our opinion, Multnomah County School District No. 7 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

Management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pauly, Rogers and Co. P.C.

PAULY, ROGERS AND CO., P.C.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

For the Year Ended June 30, 2012

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## SECTION I – SUMMARY OF AUDITORS' RESULTS

### FINANCIAL STATEMENTS

| | | |
|---|---|---|
| Type of auditors' report issued | Unqualified | |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | ☐ yes | ☒ no |
| Significant deficiency(s) identified that are not considered to be material weaknesses? | ☐ yes | ☒ none reported |
| Noncompliance material to financial statements noted? | ☐ yes | ☒ no |
| Any GAGAS findings disclosed that are required to be reported in accordance with OMB Circular A-133, section 503(d)(2)? | ☐ yes | ☒ no |

### FEDERAL AWARDS

| | | |
|---|---|---|
| Internal control over major programs: | | |
| Material weakness(es) identified? | ☐ yes | ☒ no |
| Significant deficiency(s) identified that are not considered to be material weaknesses? | ☐ yes | ☒ none reported |
| Type of auditors' report issued on compliance for major programs: | Unqualified | |
| Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, section 510(a)? | ☐ yes | ☒ no |

### IDENTIFICATION OF MAJOR PROGRAMS

| CFDA NUMBER | NAME OF FEDERAL PROGRAM CLUSTER |
|---|---|
| 84.010 & 84.389 | Title I, Part A Cluster |
| 84.027 | Special Education Cluster |
| 84.367 | Improving Teacher Quality State Grant |
| 84.365 | English Language Acquisition Grant |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $389,832 | |
| Auditee qualified as low-risk auditee? | ☐ yes | ☒ no |

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7
MULTNOMAH COUNTY, OREGON

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

For the Year Ended June 30, 2012

## SECTION II – FINANCIAL STATEMENT FINDINGS

None

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None

## SECTION IV – SCHEDULE OF PRIOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

2011-FA-1 - Significant deficiency in internal control and instance of non-compliance

To be allowable under Federal awards, costs must be consistent with policies, regulations and procedures that apply to other activities of the governmental unit. All U.S. employers must complete and retain an employment eligibility verification form for employees.

Current Status: Immediately following the preliminary audit finding in May, 2011 The HR Department implemented a new process and put stricter controls in place to ensure that all I-9 Forms would be completed timely and accurately as dictated by Federal Law. Effective July 1, 2011 changes were made to the process of managing the tracking and maintenance of I-9 forms as follows:

1. One person in the HR department now has responsibility for maintaining the I-9 forms in notebooks, separate from the personnel files. This tracking method creates a review process by one person before the forms are filed following the intake process which is completed by various members of the department.
2. An internal audit is underway to remove all existing I-9's from the personnel files of current employees, reverify all supporting identification/documentation and update forms as needed. This process is not yet completed as there are nearly 1500 employee files to review. The target date for completion of this project is March 31, 2012.
3. MESD collects, processes, and maintains all employment documentation for substitutes as part of the SubFinder service agreement.

We did not note any instances of this finding in the current year.

2011-FA-2 - Significant deficiency in internal control, instance of non-compliance and questioned costs

Indirect costs are charged to a grant at a rate determined by Oregon Department of Education.

Current Status: The District has taken steps to insure that only the current year indirect rate for current year expenditures is used. They are also posting indirect charges before any claims are made for funds in order to stay current with indirect charges.

We did not note any instances of this finding in the current year.

2011-FA-3 - Significant deficiency in internal control, instance of non-compliance and questioned costs

Expenditures were overcharged to grants in prior years.

Current Status: This problem was caused due to MESD error in calculating PERS contributions in the IFAS accounting software in 2010-11. PERS rates have been corrected in the new iVisions accounting software for 2011-12.

We did not note any instances of this finding in the current year.

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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