

**MULTNOMAH COUNTY SCHOOL DISTRICT #7**  
**MULTNOMAH COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2018**



12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223

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

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON

BOARD OF DIRECTORS AS OF JUNE 30, 2018

<u>NAME</u>	<u>TERM EXPIRATION</u>
Joe Teeny, Chair	June 30, 2021
Dane Nickerson, Vice Chair	June 30, 2019
Valerie Tewksbury	June 30, 2021
Diego Hernandez	June 30, 2021
John Lindenthal	June 30, 2021
Yesenia Delgado	June 30, 2019
Ricki Ruiz	June 30, 2019

The above Board Members receive mail at the address below:

Linda Florence, Superintendent

Administrative Office  
1204 N.E. 201<sup>st</sup> Avenue  
Fairview, Oregon 97024

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

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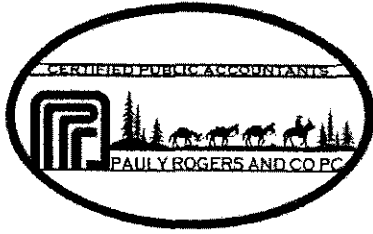
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**PAULY, ROGERS, AND CO., P.C.**  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
[www.paulyrogersandcocpas.com](http://www.paulyrogersandcocpas.com)

October 26, 2018

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

## INDEPENDENT AUDITORS' REPORT

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the governmental activities, each major fund, fiduciary funds, the aggregate remaining fund information and fiduciary funds of Multnomah County School District No. 7 (the District), as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

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

### **Opinions**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, fiduciary funds, each major fund, and the aggregate remaining fund information and fiduciary funds of Multnomah County School District No. 7 thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Emphasis of Matter**

The District adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

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.

### *Supplementary Information*

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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. The supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

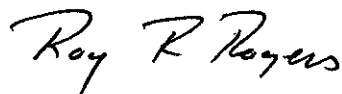
### *Other Information*

The listing of board members containing their term expiration dates located before the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Reports on Legal and Other Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 26, 2018 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 not to provide an opinion on internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 26, 2018, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.

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Reynolds School District  
Administration Offices  
1204 NE 201<sup>st</sup> Avenue  
Fairview, OR 97024  
503.661.7200 • FAX 503.667.6932

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018.

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.

### NEW ACCOUNTING STANDARDS IMPLEMENTED

During the year, the District implemented two new accounting standards: 1) GASB Statement No 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions; and 2) GASB Statement No. 85, Omnibus 2017. The District anticipates no financial impact as a result of implementing GASB 85. Additional information about the District's pension and OPEB obligations and assets is located in Footnote 12.

### Financial Highlights

- The government-wide financial statements, the assets and deferred outflows of resources of the District trailed its liabilities and deferred inflows of resources by (\$24.31) million net position. This is because the Net Pension Liability, the Net Other Post Employment Benefit Obligation, the Pension Related Deferrals for PERS, Stipends and Healthcare have increased. The increase is caused by the new accounting standards implemented during the year.
- At June 30, 2018, the District's total net position increased by \$4.75 million in the District's financial position as compared to the prior year. In another words, the gap between Assets and Liabilities in 16-17 was larger and the gap has reduced in the current year.
- At June 30, 2018, the District's governmental funds reported combined ending fund balances of \$55,482,901. This represents a decrease of \$84,493,386 from the prior year, a 64.42% decrease of in the District's financial position as compared to the prior year. The District has completed its third year of a \$125 million capital spending bond approved by the voters in May 2015.
- At June 30, 2018, the General Fund had a fund balance of \$13,795,835, including a GASB 54 reporting requirement of \$175,072 from Early Retirement Fund.
- GASB54 requires the Early Retirement Fund's ending fund balance be reported with the General Fund, rather than reporting with Other Government funds as in prior years.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). As is typical for a school district, the 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 5 and 6 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 eight 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, Debt Service Fund, PERS Bond Fund, 2015 GO Bond Debt Service Fund, 2015 GO Bonds Projects Fund, 2016 School Improvement Project Fund, and Capital Projects Fund. The District classifies these eight 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 7-12 of this report.

**Fiduciary funds.** The Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District maintains eight fiduciary funds. The fund is used to report resources held in trust for students to use for scholarships.

The basic fiduciary fund financial statements are located on pages 13-14 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 15 to 43 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 44-64 of this report.

Additionally, the Federal Government and the State of Oregon require Governmental entities to include additional auditor reports and schedules. The 2017-2018 Auditors' Comments and Disclosure includes the auditor's 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 65-72 of this report.

## Government-Wide Financial Analysis

### Net Position

Net position may serve over time as a useful indicator of a government's financial position. The table below condenses the Statement of Net Position shown in the Basic Financial Statements.

Governmental Activities			
	2018	2017	Increase / Decrease
<b>ASSETS:</b>			
Current and Other Assets	\$ 93,128,056	\$ 158,389,732	\$ (65,261,676)
Net Capital Assets	<u>201,895,594</u>	<u>107,968,796</u>	<u>93,926,798</u>
<b>Total Assets</b>	<u>295,023,650</u>	<u>266,358,528</u>	<u>28,665,122</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Deferrals	<u>44,782,812</u>	<u>51,341,727</u>	<u>(6,558,915)</u>
<b>TOTAL ASSETS AND PENSION RELATED DEFERRALS</b>	<u>339,806,462</u>	<u>317,700,255</u>	<u>22,106,207</u>
<b>LIABILITIES</b>			
Current Liabilities	43,928,424	23,614,430	20,313,994
Long-Term Liability	<u>314,569,359</u>	<u>316,835,746</u>	<u>(2,266,387)</u>
<b>Total Liabilities</b>	<u>358,497,783</u>	<u>340,450,176</u>	<u>18,047,607</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related Deferrals	<u>5,619,388</u>	<u>2,210,719</u>	<u>3,408,669</u>
<b>TOTAL LIABILITIES AND PENSION RELATED DEFERRALS</b>	<u>364,117,171</u>	<u>342,660,895</u>	<u>21,456,276</u>
<b>NET POSITION</b>			
Net Investment In Capital Assets	35,148,756	(64,722,847)	99,871,603
Restricted for Debt Service	4,631,352	3,861,213	770,139
Restricted for State and Local Programs	85,860	426,170	(340,310)
Restricted for Food Service	3,211,005	2,996,717	214,288
Unrestricted	<u>(67,387,682)</u>	<u>32,478,107</u>	<u>(99,865,789)</u>
<b>Total Net Position</b>	<u>\$ (24,310,709)</u>	<u>\$ (24,960,640)</u>	<u>\$ 649,931</u>

**Net investment in capital assets.** As shown in the table above, the District's current net investment in capital assets is \$35.14 million, an increase of \$99.87 million over the prior year. The increase is the result of capital asset additions from bond capital projects and seismic capital grants. The \$35.14 million net position component includes land, construction in process, building, improvements, vehicles and equipment, net of depreciation where applicable, and net of the related debt that was incurred to acquire those assets. Information about capital assets and their related debt is available in Note 7 – Capital Assets and Note 9 – Long Term Debt.

**Restricted net position.** Increase by a total of \$.82 million in FY 2017-18, primarily due to increases in Debt Service, Food Service and decrease in State and Local Programs.

**Unrestricted net position** has decreased by \$100 million, from \$32.5 million to negative \$67.5 million. The decrease in unrestricted net position results from the OPEB reporting requirement implementation and further explanation can be found in note 12 – Defined Benefit Pension Plan and Note 13 – Other Post Employment Benefit Plan.

<b>Statement of Activities</b>			
<b>REVENUES:</b>	<b>2018</b>	<b>2017</b>	<b>Increase / Decrease</b>
Program Revenues			
Charges for Services	\$ 374,290	\$ 659,163	(284,873)
Operating Grants and Contributions	17,977,234	15,007,967	2,969,267
General Revenues			
Property Taxes	36,012,407	33,668,002	2,344,405
State Support	96,927,194	89,658,290	7,268,904
Intermediate Sources	1,804,251	3,253,805	(1,449,554)
Miscellaneous	3,929,721	5,112,839	(1,183,118)
<b>Total Revenues</b>	<b>157,025,097</b>	<b>147,360,066</b>	<b>9,665,031</b>
<b>EXPENSES</b>			
Instruction	83,288,226	68,365,815	14,922,411
Support Services	51,500,235	59,636,859	(8,136,624)
Enterprise and Community Services	6,419,380	5,508,594	910,786
Interest on Long-Term Debt	11,063,373	11,099,218	(35,845)
<b>Total Expenses</b>	<b>152,271,214</b>	<b>144,610,486</b>	<b>7,660,728</b>
Increase (decrease) in net position	4,753,883	2,749,580	2,004,303
<b>NET POSITION - BEGINNING, RESTATED</b>	<b>(29,064,592)</b>	<b>(27,710,220)</b>	<b>(1,354,372)</b>
<b>NET POSITION - ENDING</b>	<b>(24,310,709)</b>	<b>(24,960,640)</b>	<b>649,931</b>

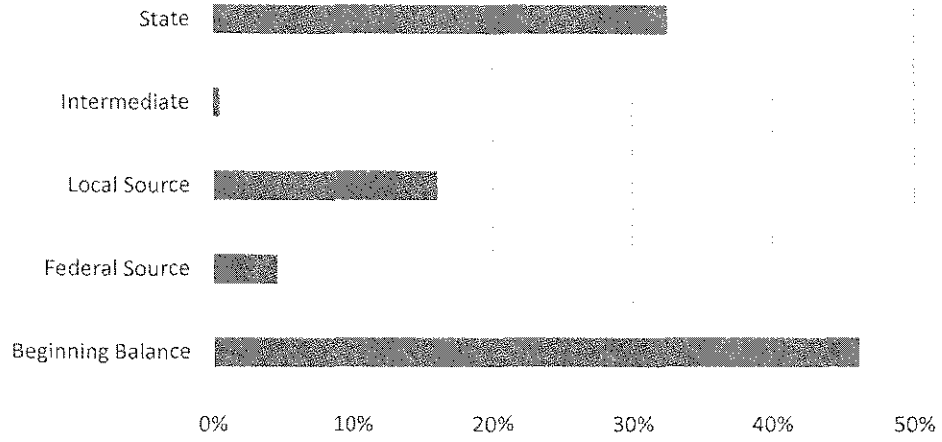
### Revenues

Total revenues increased \$9.6 million from the prior year, is a net result in an increase in the State School Fund funding received, an increase in Operating Grants and Contributions, as well as Property Taxes, offset by a decrease in the Charges for Services, Intermediate Source and Miscellaneous.

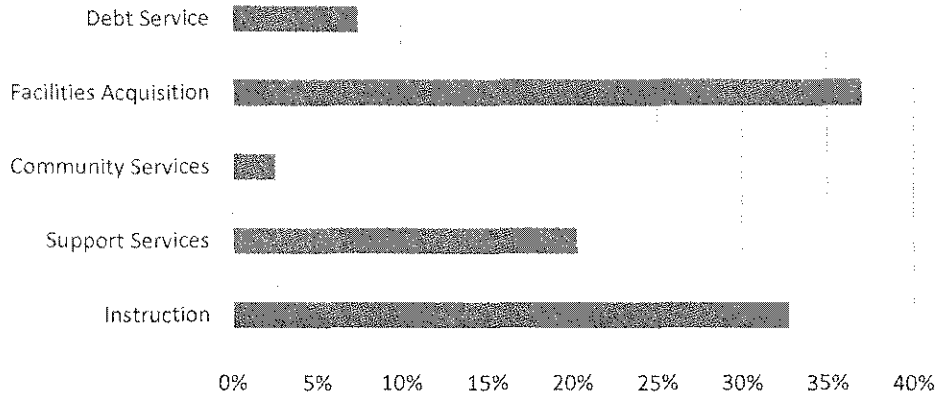
**General Fund** revenues account for approximately 88% of all funds revenues. Property taxes are split between General Fund tax levies, and Debt Service requirements. The State School Fund (SSF) is the largest revenue source at \$96,927,194 or 62% of total revenues. Each Oregon school district receives funding 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 the current or most recent fiscal years in the calculation.



### Revenues by Source - Governmental Activities



### Expenditures by Function - Governmental Activities



## **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.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$55,482,901.

### **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 \$13,795,835. This amount represents \$13,620,763 of the General Fund and \$175,072 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.

### **Federal Programs Fund**

Revenues and expenditures in the Federal Programs Fund increased from \$7,570,071 in 2016-17 fiscal year, to \$8,433,881 in 2017-18 fiscal year due to an increase in Federal Grants.

### **Other Governmental Funds**

The Special Revenue Fund consists of Nutrition Services, State and Local Programs and Self Insurance Funds. This fund has a total fund balance increased from \$6,348,102 in 2016-17 fiscal year, to \$6,722,046 in 2017-18 fiscal year, primarily due to a decrease 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, 2018 amounts to \$201,895,594, net of accumulated depreciation. This investment in capital assets includes land, buildings, equipment, and vehicles.

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

	<b>2018</b>	<b>2017</b>	<b>Increase/Decrease</b>
Land	18,236,549	18,236,549	-
Construction in Progress	118,974,579	22,836,919	96,137,660
Buildings and Improvements	61,573,227	63,959,225	(2,385,998)
Vehicles and Equipment	3,111,239	2,936,103	175,136
	<b>201,895,594</b>	<b>107,968,796</b>	<b>93,926,798</b>

Additional information on the District's capital assets can be found in note 7 on page 25 of this report

**Long-term debt.** At the end of the fiscal year, the District had a total outstanding long-term debt of \$222,991,503 consisting of general obligation debt and pension obligation debt, net of unamortized premium/discount.

**Long-Term Debt for the year ended June30, 2018**

	<b>2018</b>	<b>2017</b>	<b>Increase/Decrease</b>
Bond Payable	201,258,102	208,739,642	(7,481,540)
Notes Payable	21,733,401	22,515,366	(781,965)
	<b>222,991,503</b>	<b>231,255,008</b>	<b>(8,263,505)</b>

Additional information on the District's long-term debt can be found in note 9 on pages 26 to 29 of this report

**Economic Factors and Next Year's Budgets**

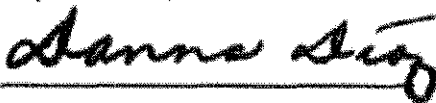
- The Oregon state economy is continuing to improve; however the state is adding jobs at a slower pace than the rates seen in 2014 and 2015. In June 2018 Oregon's unemployment rate was keeping steady at 4%, which is consistent with the rates seen over the last 12 months, according to the Bureau of Labor Statistics.
- The costs of salaries and related benefits are expected to increase in 2018-19. The utility costs continue to escalate. The District's Budget Committee and School Board considered all of these factors while preparing the District's budget for the 2018-19 fiscal year.
- The District has also analyzed its financial holdings and does not anticipate any liquidity problems in the next 12 months.
- School Board policy mandates that the District budget a minimum of 5% fund balance be maintained unless the Board takes formal action to waive or lower the requirement. 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.

- 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 Deputy CEO at 1204 NE 201<sup>st</sup> 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: Deputy CEO

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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 POSITION**  
**June 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 83,628,382
Receivables:	
Accounts and Grants	5,951,397
Cash with County	180,082
Property Taxes	1,930,754
Supply Inventories & Assets Held for Resale	174,569
Other Prepaid Expenses	21,191
Equity in CAL	1,241,681
Capital Assets, Non-Depreciable	137,211,128
Capital Assets, Depreciable, Net	64,684,466
Total Assets	295,023,650
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Related Deferrals - PERS	43,611,096
OPEB Related Deferrals - Stipends	264,853
OPEB Related Deferrals - Health Care	906,863
Total Deferred Outflows	44,782,812
<b>TOTAL ASSETS AND PENSION RELATED DEFERRALS</b>	<b>339,806,462</b>
<b>LIABILITIES</b>	
Accounts Payable	22,623,449
Retainage Payable	4,284,330
Accrued Salaries and Benefits	6,730,081
Unearned Revenue	1,017,126
Accrued Vacation Payable	113,409
Bond & Note Interest Payable	206,763
Noncurrent liabilities:	
Due within one year	8,976,480
Due in more than one year	214,015,023
Proportionate share of Net Pension Liability (PERS)	85,519,165
Total OPEB Liability - Stipends	2,220,351
Total OPEB Liability - Health Care	12,791,606
Total Liabilities	358,497,783
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Related Deferrals - PERS	4,989,677
OPEB Related Deferrals - Stipends	88,413
OPEB Related Deferrals - Health Care	541,298
<b>TOTAL LIABILITIES AND PENSION RELATED DEFERRALS</b>	<b>364,117,171</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	35,148,756
Restricted for Debt Service	4,631,352
Restricted for State & Local Programs	85,860
Restricted for Food Service	3,211,005
Unrestricted	(67,387,682)
Total Net Position	<b>\$ (24,310,709)</b>

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, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Instruction	\$ 83,288,226	\$ 740	\$ 2,643,685	\$ (80,643,801)
Support Services	51,500,235	109,377	1,459,026	(49,931,832)
Community Services	6,419,380	264,173	13,874,523	7,719,316
Interest on Long-Term Debt	11,063,373	-	-	(11,063,373)
Total Governmental Activities	<u>\$ 152,271,214</u>	<u>\$ 374,290</u>	<u>\$ 17,977,234</u>	<u>(133,919,690)</u>
General Revenues:				
				25,312,281
				10,700,126
				1,804
				96,927,194
				1,804,251
				(37,399)
				3,965,316
Total General Revenues				<u>138,673,573</u>
		Change in Net Position		4,753,883
		Net Position - Beginning, Restated		<u>(29,064,592)</u>
		Net Position - Ending		<u>\$ (24,310,709)</u>

See accompanying notes to the basic financial statements

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2018

	GENERAL FUND	FEDERAL PROGRAMS FUND	DEBT SERVICE FUND	PERS BOND FUND	2015 GO BOND DEBT SERVICE FUND
<b>ASSETS:</b>					
Cash & Equity in Pooled Cash	\$ 19,811,228	\$ -	\$ 7,270,028	\$ 6,574,986	\$ -
Receivables:					
Accounts and Grants	699,339	2,927,018	-	-	-
Property Taxes	1,428,386	-	370,859	-	131,509
Cash with County	128,312	-	25,948	-	25,822
Interfund Receivable	4,596,082	110,368	-	79,278	1,821,757
Prepaid	21,191	-	-	-	-
<b>Total Assets</b>	<b>\$ 26,684,538</b>	<b>\$ 3,037,386</b>	<b>\$ 7,666,835</b>	<b>\$ 6,654,264</b>	<b>\$ 1,979,088</b>
<b>LIABILITIES, AND FUND BALANCES:</b>					
Liabilities:					
Accounts Payable	\$ 3,591,316	\$ 299,111	\$ -	\$ 6,505,245	\$ -
Accrued Salaries and Benefits	6,730,081	-	-	-	-
Retainage Payable	-	-	-	-	-
Interfund Payable	419,230	2,586,108	4,713,178	-	-
<b>Total Liabilities</b>	<b>10,740,627</b>	<b>2,885,219</b>	<b>4,713,178</b>	<b>6,505,245</b>	<b>-</b>
Deferred inflows of Resources:					
Deferred Grants	850,000	152,167	-	-	-
Unavailable Revenue:					
Property Taxes	1,298,076	-	343,562	-	106,850
<b>Fund Balances (Deficit):</b>					
Nonspendable	21,191	-	-	-	-
Restricted:					
Debt Service	-	-	2,610,095	149,019	1,872,238
State & Local Programs	-	-	-	-	-
Food Service	-	-	-	-	-
Committed:					
Early Retirement	175,072	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	13,599,572	-	-	-	-
<b>Total Fund Balances (Deficit)</b>	<b>13,795,835</b>	<b>-</b>	<b>2,610,095</b>	<b>149,019</b>	<b>1,872,238</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 26,684,538</b>	<b>\$ 3,037,386</b>	<b>\$ 7,666,835</b>	<b>\$ 6,654,264</b>	<b>\$ 1,979,088</b>

See accompanying notes to the basic financial statements

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2018

	2015 GO BONDS PROJECTS FUND	CAPITAL PROJECTS FUND	2016 SCHOOL IMPROVEMENT PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>					
Cash & Equity in Pooled Cash	\$ 49,108,539	\$ 295,073	-	\$ 568,528	\$ 83,628,382
Receivables:					
Accounts and Grants	193,184	87,845	-	2,044,011	5,951,397
Property Taxes	-	-	-	-	1,930,754
Cash with County	-	-	-	-	180,082
Interfund Receivable	-	-	1,329,904	4,902,943	12,840,332
Prepaid	-	-	-	-	21,191
Inventory & Property Held for Resale	-	-	-	174,569	174,569
<b>Total Assets</b>	<b>\$ 49,301,723</b>	<b>\$ 382,918</b>	<b>\$ 1,329,904</b>	<b>\$ 7,690,051</b>	<b>\$ 104,726,707</b>
<b>LIABILITIES, AND FUND BALANCES:</b>					
Liabilities:					
Accounts Payable	\$ 11,783,262	\$ -	\$ -	\$ 443,015	\$ 22,621,949
Accrued Salaries and Benefits	-	-	-	-	6,730,081
Retainage Payable	4,281,535	-	-	2,795	4,284,330
Interfund Payable	4,550,692	65,388	-	507,236	12,841,832
<b>Total Liabilities</b>	<b>20,615,489</b>	<b>65,388</b>	<b>-</b>	<b>953,046</b>	<b>46,478,192</b>
Deferred Inflows of Resources:					
Deferred Grants	-	-	-	14,959	1,017,126
Unavailable Revenue:					
Property Taxes	-	-	-	-	1,748,488
Fund Balances (Deficit):					
Nonspendable	-	-	-	174,569	195,760
Restricted:					
Debt Service	-	-	-	-	4,631,352
State & Local Programs	-	-	-	85,860	85,860
Food Service	-	-	-	3,211,005	3,211,005
Committed:					
Self Insurance	-	-	-	157,908	157,908
Assigned	28,686,234	317,530	1,329,904	3,092,704	33,426,372
Unassigned	-	-	-	-	13,599,572
<b>Total Fund Balances (Deficit)</b>	<b>28,686,234</b>	<b>317,530</b>	<b>1,329,904</b>	<b>6,722,046</b>	<b>55,482,901</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 49,301,723</b>	<b>\$ 382,918</b>	<b>\$ 1,329,904</b>	<b>\$ 7,690,051</b>	<b>\$ 104,726,707</b>

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 Position**

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TOTAL FUND BALANCES-GOVERNMENTAL FUNDS	\$	55,482,901
<p>Capital assets are not financial resources and therefore are not reported in the governmental funds.</p>		
Cost	\$	281,187,267
Accumulated Depreciation	<u>(79,291,673)</u>	201,895,594
<p>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.</p>		
		1,748,488
<p>The Net Pension Asset (Liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.</p>		
		(85,519,165)
<p>The Net Pension Obligation is the difference between the total pension stipend liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.</p>		
		(2,220,351)
<p>The OPEB Liability is the difference between the total healthcare benefit liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.</p>		
		(12,791,606)
<p>Deferred Inflows and Outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.</p>		
<p>Net Pension and OPEB Related Deferrals</p>		
Deferred Outflows - PERS	43,611,096	
Deferred Inflows - PERS	(4,989,677)	
Deferred Outflows - OPEB Stipends	264,853	
Deferred Inflows - OPEB Stipends	(88,413)	
Deferred Outflows - OPEB Healthcare	906,863	
Deferred Inflows - OPEB Healthcare	<u>(541,298)</u>	39,163,424
<p>Equity interest in the Center for Advanced Learning (CAL) is not reported in the governmental funds:</p>		
		1,241,681
<p>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.</p>		
<p>Long term Liabilities:</p>		
Accrued Vacation Payable	(113,409)	
Bond & Note Interest Payable	(206,763)	
Debt Obligations	<u>(222,991,503)</u>	<u>(223,311,675)</u>
TOTAL NET POSITION	\$	<u>(24,310,709)</u>

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, 2018

REVENUES:	GENERAL FUND	FEDERAL PROGRAMS FUND	DEBT SERVICE FUND	PERS BOND FUND	2015 GO BOND DEBT SERVICE FUND
Local Sources	\$ 26,851,232	\$ -	\$ 5,147,833	\$ 7,737,758	\$ 5,796,423
Intermediate Sources	1,333,262	-	-	-	-
State Sources	98,095,712	-	-	-	-
Federal Sources	68,186	8,433,881	-	-	-
Total Revenues	<u>126,348,392</u>	<u>8,433,881</u>	<u>5,147,833</u>	<u>7,737,758</u>	<u>5,796,423</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction	74,770,363	5,262,290	-	-	-
Support Services	45,318,818	2,944,514	-	-	-
Community Services	132,223	227,077	-	-	-
Facilities Acquisition	-	-	-	-	-
Debt Service	322,379	-	4,936,419	7,710,490	4,033,650
Total Expenditures	<u>120,543,783</u>	<u>8,433,881</u>	<u>4,936,419</u>	<u>7,710,490</u>	<u>4,033,650</u>
Revenues over (under) expenditures	5,804,609	-	211,414	27,268	1,762,773
<b>Other Financing Sources, (Uses):</b>					
Transfers In	540,000	-	-	-	-
Transfers Out	<u>(2,042,470)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (Uses)	<u>(1,502,470)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	4,302,139	-	211,414	27,268	1,762,773
Fund balance, beginning	9,493,696	-	2,398,681	121,751	1,340,781
Prior Period Adjustment	-	-	-	-	(1,231,316)
Fund balance, ending	<u>\$ 13,795,835</u>	<u>\$ -</u>	<u>\$ 2,610,095</u>	<u>\$ 149,019</u>	<u>\$ 1,872,238</u>

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, 2018

REVENUES:	2015 GO BOND PROJECTS FUND	CAPITAL PROJECTS FUND	2016 SCHOOL IMPROVEMENT PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Local Sources	\$ 1,038,808	\$ 447,272	\$ -	\$ 1,902,200	\$ 48,921,526
Intermediate Sources	-	-	-	2,126,020	3,459,282
State Sources	-	-	-	732,707	98,828,419
Federal Sources	-	-	-	5,636,624	14,138,691
<b>Total Revenues</b>	<b>1,038,808</b>	<b>447,272</b>	<b>-</b>	<b>10,397,551</b>	<b>165,347,918</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction	-	-	-	1,821,249	81,853,902
Support Services	-	-	-	2,350,007	50,613,339
Community Services	-	-	-	5,949,533	6,308,833
Facilities Acquisition	92,423,628	276	-	-	92,423,904
Debt Service	-	1,638,388	-	-	18,641,326
<b>Total Expenditures</b>	<b>92,423,628</b>	<b>1,638,664</b>	<b>-</b>	<b>10,120,789</b>	<b>249,841,304</b>
Revenues over (under) expenditures	(91,384,820)	(1,191,392)	-	276,762	(84,493,386)
<b>Other Financing Sources, (Uses):</b>					
Transfers In	-	1,442,288	-	60,182	2,042,470
Transfers Out	-	-	-	-	(2,042,470)
<b>Total other financing sources (Uses)</b>	<b>-</b>	<b>1,442,288</b>	<b>-</b>	<b>60,182</b>	<b>-</b>
Net Change in Fund Balance	(91,384,820)	250,896	-	336,944	(84,493,386)
Fund balance, beginning	118,839,738	66,634	1,329,904	6,385,102	139,976,287
Prior Period Adjustment	1,231,316	-	-	-	-
<b>Fund balance, ending</b>	<b>\$ 28,686,234</b>	<b>\$ 317,530</b>	<b>\$ 1,329,904</b>	<b>\$ 6,722,046</b>	<b>\$ 55,482,901</b>

See accompanying notes to the basic financial statements

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

**Reconciliation of the Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the year ended June 30, 2018**

TOTAL NET CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS	\$	(84,493,386)
<p>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:</p>		
Expenditures for capital assets	\$ 97,211,943	
Less current year depreciation	<u>(3,285,145)</u>	93,926,798
<p>The amount by which cost of assets disposed exceeded accumulated depreciation in the current period</p>		
Cost of assets disposed	(133,500)	
Accumulated depreciation	<u>133,500</u>	-
<p>Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability government-wide.</p>		
Principal Payments on Bond Payables	6,869,699	
Principal Payments on Note Payables	<u>720,000</u>	7,589,699
<p>Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Amortization of bond premiums	750,530	
Amortization of note premiums	61,965	
Accretion of discount on pension obligation bonds	<u>(138,689)</u>	673,806
Net Pension Expense - Stipends		510,609
Net OPEB Expense - Health Care		(401,965)
<p>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.</p>		
		(11,746)
<p>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.</p>		
		(335,545)
<p>Changes in equity in the Center for Advanced Learning (CAL) is not reported in the governmental funds:</p>		
		(37,399)
<p>The PERS Pension Expense represents the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits.</p>		
		(12,659,157)
<p>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.</p>		
		<u>(7,831)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>4,753,883</u></u>

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, 2018

---

	<u>Private Purpose Trust Funds</u>
<b>ASSETS:</b>	
Due From Other Funds	\$ <u>1,500</u>
<b>LIABILITIES:</b>	
Due to Student Organizations	<u>1,500</u>
<b>NET POSITION:</b>	
Reserved for Scholarship Programs	<u><u>\$ -</u></u>

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, 2018

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	<u>Private Purpose Trust Funds</u>
Additions:	
Receipts	<u>\$ 1,816</u>
Deductions:	
Disbursements	<u>13,870</u>
Change in Net Position	(12,054)
Beginning Net Position	<u>12,054</u>
Ending Net Position	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**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 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, as defined by GASB Statement 61, or included in these basic financial statements.

The basic 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 Position and the Statement of Activities) display information about the District as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level. 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 position is reported as restricted when constraints placed on net position 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. The fiduciary fund financial statements use the accrual basis of accounting and trust funds are reported using economic resources measurement focus. 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.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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, pension costs, 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.

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.

**2015 GO BOND DEBT SERVICE FUND**

This fund accounts for the payment of principal and interest for the two general obligation bonds the District received in 2015 and are to be used to finance several specific capital projects as dictated by the bonds' ballot measure. The principal revenue source is the proceeds from the bond and associated interest.

**2015 GO BOND PROJECTS FUND**

This fund accounts for major capital outlay expenditures relating to the acquisition, construction and remodeling of facilities as authorized in the 2015 general obligation bonds' ballot measure. Principal financing sources include the proceeds from the issuance of debt and earnings from investments which are accounted for in the 2015 Go Bond Debt Service fund.

**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.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

**2016 SCHOOL IMPROVEMENT PROJECTS FUND**

This fund accounts for major capital outlay expenditures relating to the acquisition, construction and rehabilitation of Qualified Zone Academy Bond eligible facilities. Principal financing sources include the proceeds from the issuance of debt.

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**

The Fiduciary funds consist of eight private purpose trust funds which are used for managing private scholarships donated to the school. Fiduciary funds are not reflected in the government-wide financial statements.

**FUND BALANCE**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions* is followed. 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 five classifications are nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaids.
- 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.

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.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

**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.

**NET POSITION**

Net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

- Net Investment in Capital Assets – consists of all capital assets reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There is net position restricted for special projects.
- Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the basic financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. At June 30, 2018 there were deferred outflows of \$43,611,096 representing PERS pension related deferrals, \$264,853 representing OPEB related deferrals for stipends, and \$906,863 representing OPEB related deferrals for health care related deferrals reported in the statement of net position.

In addition to liabilities, the basic financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2018, there were deferred inflows of \$4,989,677 representing PERS pension related deferrals, \$88,413 representing OPEB related deferrals for stipends and \$541,298 representing OPEB related deferrals for health care reported in the statement of net position. The governmental funds balance sheet reports unavailable revenues of \$2,765,614 from two sources – property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

**OTHER POST-EMPLOYMENT BENEFITS (HEALTH CARE)**

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.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY- CONTINUED*

*CASH AND CASH EQUIVALENTS AND INVESTMENTS*

For the purpose of the Statement of Net Position and the balance sheet, money 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 Position 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. 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*

District 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 expensed when 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, 2018 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 position and the balance sheet.



MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*D. ASSETS, LIABILITIES, AND NET POSITION 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.

*CAPITAL ASSETS*

Capital assets are recorded at original cost or estimated original cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at their acquisition 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

*LONG TERM OBLIGATIONS*

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium.

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.

*RETIREMENT PLANS*

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

*USE OF ESTIMATES*

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires 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.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY- CONTINUED**

**RETAINAGE PAYABLE**

Retainage payable is comprised of amounts of the contract price for construction that are withheld from payment until construction work is substantially complete.

**E. FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY**

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

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

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

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

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

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**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.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED**

**BUDGETARY INFORMATION – CONTINUED**

Expenditures 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.

**NOTE 3. BUDGETARY BASIS OF ACCOUNTING**

While the financial position, results of operations, and changes in fund balance/net position 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 not reported as revenue in the governmental funds unless received within 60-days of year end. Inventories of supplies are budgeted as expenditures when purchased, and debt, accrued vacation, pension costs, and OPEB liabilities are expensed as paid instead of when incurred.

**NOTE 4. 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 is 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 equity in CAL at June 30, 2018 was \$1,241,681.

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.

**NOTE 5. CASH AND INVESTMENTS**

**DEPOSITS**

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements as of June 30, 2018 was \$7,869,769, of which \$250,000 was insured by FDIC with the remaining amount collateralized by the Oregon Public Funds Collateralization Program (PFCP).

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 5. CASH AND INVESTMENTS - CONTINUED**

*Credit Risk - Deposits*

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, 2018, none of the bank balances were exposed to custodial credit risk.

*INVESTMENTS*

The types of investments that may be invested in are restricted by State of Oregon Revised Statutes. Authorized investments include general obligations of the United States government and its agencies, obligations of the States of Oregon, California, Idaho and Washington that have a rating of AA or better, A-1 rated commercial paper and banker's acceptances, corporate bonds rated Aa or better, time deposits, repurchase agreements and the Oregon State Treasurer's Local Government Investment Pool.

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

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

The Board has established investment policies to approve only certain depositories and investment instruments and has limited investments to those with maturities of no more than 36 months. The District holds investments in Municipal Bonds, US Agency Securities and US Treasuries through an investment account with a depository approved by the Board. The fair value of these securities is determined based on a level 1 classification due to their availability on open markets. At June 30, 2018, the District appeared to be in compliance with all policies regarding depositories, instruments and maturities.

*Interest Rate Risk - Investments*

Oregon Revised Statutes require investments to not exceed a maturity of 18 months from the date of anticipated use of the funds, 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 36 months, within the time frame of the anticipated use of funds.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 5. CASH AND INVESTMENTS - CONTINUED**

*Credit Risk - Investments*

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. Municipal bond investments held by the District are rated AA+/Aaa.

*Concentration of Credit Risk*

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, 2018, the District appeared to be in compliance with all percentage restrictions.

Cash and Investments at June 30, 2018 (recorded at fair value) consisted of:

	2018
Cash and cash equivalents	
Deposits with financial institutions	\$ 6,535,736
Oregon Local Government Investment Pool	26,238,932
Other Investments	50,853,714
Total Cash and Investments	\$ 83,628,382

There were the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
Oregon local government investment pool (LGIP)	\$ 26,238,932	\$26,238,932	\$ -	\$ -
Secured Market Deposit	6,574,986	6,574,986	-	-
US Agency Securities	44,278,728	15,894,624	28,384,104	-
Total	\$ 77,092,646	\$48,708,542	\$28,384,104	\$ -

**NOTE 6. ARTS TAX**

In November, 2012, voters in the City of Portland passed Ballot Measure 26-146 to restore school arts and music education, funded through an income tax of \$35 per person per year. In December of 2012, the District entered into an intergovernmental agreement with the City of Portland to receive a portion of this tax, to be used to provide arts and music education, through certified arts and music teachers, to all K-5 students. Revenues and expenditures for the year ended June 30, 2018 are as follows:

	Arts Tax Revenues	Arts Tax Expenditures	Music FTE Funded	Art FTE Funded	Total FTE
Alder Elementary	\$ 75,843	\$ 60,477	0.67	0.25	0.92
Glenfair Elementary	120,998	96,482	0.67	0.25	0.92
Margaret Scott Elementary	84,629	67,482	0.67	0.25	0.92
Wilkes Elementary	96,595	77,024	0.67	0.25	0.92
	\$ 378,065	\$ 301,465	2.68	1	3.68

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
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 NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 7. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 occurred as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Construction in Process	\$ 22,836,919	\$ 96,137,660	\$ -	\$ 118,974,579
Land	18,236,549	-	-	18,236,549
Total Capital Assets Not being Depreciated:	<u>41,073,468</u>	<u>96,137,660</u>	<u>-</u>	<u>137,211,128</u>
Capital Assets Being Depreciated:				
Buildings and Improvement	130,691,710	-	-	130,691,710
Vehicles and Equipment	12,343,646	1,074,283	(133,500)	13,284,429
Total Capital Assets Being Depreciated:	<u>143,035,356</u>	<u>1,074,283</u>	<u>(133,500)</u>	<u>143,976,139</u>
Accumulated Depreciation				
Buildings and Improvement	66,732,485	2,385,998	-	69,118,483
Vehicles and Equipment	9,407,543	899,147	(133,500)	10,173,190
Total Accumulated Depreciation	<u>76,140,028</u>	<u>3,285,145</u>	<u>(133,500)</u>	<u>79,291,673</u>
Total Capital Assets Being Depreciated, Net	<u>66,895,328</u>	<u>4,359,428</u>	<u>-</u>	<u>64,684,466</u>
Governmental Activities	<u>\$ 107,968,796</u>			<u>\$ 201,895,594</u>

Deletions for the year consisted of the disposal of five fully depreciated vehicles with no gain on disposal.

Current year depreciation expense is allocated to the functions as follows:

Instruction	\$ 1,937,645
Support Services	1,198,153
Community Services	<u>149,347</u>
	<u>\$ 3,285,145</u>

**NOTE 8. INTERFUND TRANSFERS AND INTERFUND RECEIVABLE/PAYABLES**

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 2,042,470	\$ 540,000
Capital Projects	-	1,442,288
Other Governmental Funds	<u>-</u>	<u>60,182</u>
	<u>\$ 2,042,470</u>	<u>\$ 2,042,470</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 8. INTERFUND TRANSFERS AND INTERFUND RECEIVABLE/PAYABLES**

During the year ended June 30, 2018, \$2,042,470 was transferred to other funds including \$52,974 transferred to the Nutrition Services Fund to match free and reduced meal and free milk programs as required, \$1,442,288 transferred to the Capital Projects Fund for payment of Full Faith and Credit Refunding obligations, \$7,208 towards state and local programs for the Seismic Fund, and \$540,000 transferred to the Early Retirement Fund for payment of insurance benefits and stipends as required by negotiated contracts. The Early Retirement Fund is rolled into the General Fund for reporting purposes.

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 4,596,082	\$ 419,230
Federal Program Funds	110,368	2,586,108
Debt Service Fund	-	4,713,178
2015 GO Bond Debt Fund	1,821,757	-
PERS Bond Fund	79,278	-
Capital Improvement Fund	-	65,388
2015 GO Bond Project Fund	-	4,550,692
2016 School Improvements Fund	1,329,904	-
Other Governmental Funds	4,902,943	507,236
Trust Funds	1,500	-
	<u>\$ 12,841,832</u>	<u>\$ 12,841,832</u>

**NOTE 9. LONG-TERM DEBT**

**BONDS PAYABLE**

**General Obligation Bonds**

In August 2015, \$137,881,332 of general obligation bonds, including premiums, were issued to fund the replacement of three elementary school buildings, construction and renovation at Reynolds High School and various renovation, construction and equipment improvements to all schools. Principal and interest payments are made semiannually on June 15 and December 15 with interest rates ranging from 2% to 5%.

**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.

**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 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 position. 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.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 9. LONG-TERM DEBT - CONTINUED**

*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.

*Qualified Zone Academy Bonds Series 2016*

\$4,000,000 of Qualified Zone Academy bonds were issued on August 4, 2016. \$3,920,000 in proceeds were received after paying issuance costs, and annual payments totaling \$285,714 will be made through July 1, 2030.

Changes in bonds outstanding are as follows:

<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2017</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2018</u>
March 1, 2005	3.0-5.0	\$ 32,500,000	\$ 13,835,000	\$ -	\$ 4,245,000	\$ 9,590,000
April 21, 2003	1.5-6.27	80,978,772	55,395,492	-	2,171,675	53,223,817
July 1, 2004	N/A	2,100,000	244,620	-	122,310	122,310
August 20, 2015	2.0-5.0	122,945,047	122,465,047	-	45,000	122,420,047
August 4, 2016	N/A	4,000,000	4,000,000	-	285,714	3,714,286
Subtotal			195,940,159	-	6,869,699	189,070,460
Premium			13,631,610	-	750,530	12,881,080
Accretion on pension obligation bonds			(832,127)	-	(138,689)	(693,438)
Total			<u>\$ 208,739,642</u>	<u>\$ -</u>	<u>\$ 7,481,540</u>	<u>\$ 201,258,102</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 7,266,960	\$ 10,402,904	\$ 17,669,864
2020	7,618,536	10,579,967	18,198,503
2021	8,343,689	10,752,565	19,096,254
2022	8,865,321	10,912,383	19,777,704
2023	9,410,191	11,072,262	20,482,453
2024-28	88,578,570	18,467,276	107,045,846
2029-33	41,154,577	23,086,819	64,241,396
2034-36	17,832,616	24,132,383	41,964,999
	<u>\$ 189,070,460</u>	<u>\$ 119,406,559</u>	<u>\$ 308,477,019</u>



MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 9. LONG-TERM DEBT - CONTINUED**

NOTES PAYABLE

Full Faith & Credit Obligations (Bond Anticipation) Notes Payable - 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.

2017 Financing Agreement Notes Payable

In June 2017 the District entered a \$2,000,000 financing agreement with US Bank National Association to finance capital costs for furnishing, equipping and performing site improvements for the District's transportation facility. The note is to be paid biannually with the principal of \$285,714 and the first installment of interest due in July and the remainder paid in January, totaling \$2,201,528 with the first payment made in January 2018. The last payment will be made in July 2024.

Changes in Full Faith & Credit obligations (BAN) notes payable are as follows:

Name	Interest Rates	Original Issue	Outstanding June 30, 2017	Issued	Matured and Redeemed	Outstanding June 30, 2018
Full Faith and Credit Obligation	2-5%	\$23,850,000	\$ 19,400,000	\$ -	\$ 720,000	\$ 18,680,000
Financing Agreement	2.5%	2,000,000	2,000,000	-	-	2,000,000
Sub-Total			21,400,000	-	720,000	20,680,000
Premium			1,115,366	-	61,965	1,053,401
Total			\$ 22,515,366	\$ -	\$ 781,965	\$ 21,733,401

Following are the annual requirements to amortize all notes payable outstanding at year end:

Fiscal Year Ending June 30,	Principal	Interest	Total Requirements
2019	\$ 1,035,714	\$ 936,017	\$ 1,971,731
2020	1,065,714	898,874	1,964,588
2021	1,095,714	860,531	1,956,245
2022	1,185,714	820,988	2,006,702
2023	1,165,714	777,845	1,943,559
2024-28	5,636,430	3,156,209	8,792,639
2029-33	6,440,000	1,761,000	8,201,000
2034-35	3,055,000	231,000	3,286,000
	<u>\$ 20,680,000</u>	<u>\$ 9,442,464</u>	<u>\$ 30,122,464</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 9. LONG-TERM DEBT – CONTINUED**

Total long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 195,940,159	\$ -	\$ 6,869,699	\$ 189,070,460	\$7,266,960
Premium	13,631,610	-	750,530	12,881,080	750,530
Accretion	<u>(832,127)</u>	<u>-</u>	<u>(138,689)</u>	<u>(693,438)</u>	<u>(138,689)</u>
Total	208,739,642	-	7,481,540	201,258,102	7,878,801
Notes Payable	21,400,000	-	720,000	20,680,000	1,035,714
Premium	<u>1,115,366</u>	<u>-</u>	<u>61,965</u>	<u>1,053,401</u>	<u>61,965</u>
Total	<u>22,515,366</u>	<u>-</u>	<u>781,965</u>	<u>21,733,401</u>	<u>1,097,679</u>
Total long-term debt	<u>\$ 231,255,008</u>	<u>\$ -</u>	<u>\$ 8,263,505</u>	<u>\$ 222,991,503</u>	<u>\$ 8,976,480</u>

**NOTE 10. DEFINED BENEFIT PENSION PLAN**

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:  
<http://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
  - i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
 

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

- ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
    - member was employed by PERS employer at the time of death,
    - member died within 120 days after termination of PERS covered employment,
    - member died as a result of injury sustained while employed in a PERS-covered job, or
    - member was on an official leave of absence from a PERS-covered job at the time of death.
  - iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
  - iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.
- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:  
*Police and fire:* 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.  
*General service:* 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
  - ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
  - iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
  - iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Contributions:* PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2018 were \$13,901,399, excluding amounts to fund employer specific liabilities. In addition approximately \$15,407 in employee contributions were paid by the District in 2017-18.

*Pension Asset or Liability*

At June 30, 2018, the District reported a net pension liability of \$85,519,165 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement dates of June 30, 2017 and 2016, the District's proportion was .63 and .55 percent respectively. Pension expense for the year ended June 30, 2018 was \$12,659,157.

The rates in effect for the year ended June 30, 2018 were:

- (1) Tier 1/Tier 2 – 13.20%
- (2) OPSRP general services – 7.87%
- (3) PERS – UAL – 12.15%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 4,135,743	\$ -
Changes in assumptions	15,588,618	-
Net difference between projected and actual earnings on pension plan investments	881,048	-
Net changes in proportionate share	9,087,064	
Differences between District contributions and proportionate share of contributions	17,224	(93,758) (4,895,919)
Subtotal - Amortized Deferrals (below)	29,709,697	(4,989,677)
District contributions subsequent to measurement date	13,901,399	-
Deferred outflow (inflow) of resources	\$ 43,611,096	\$ (4,989,677)

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Subtotal amounts related to pension as deferred outflows of resources, \$29,709,697, and deferred inflows of resources, (\$4,989,677), net to \$24,720,020 and will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 5,126,360
2020	12,059,110
2021	8,541,937
2022	(1,296,045)
2023	288,658
Thereafter	-
Total	<u>\$ 24,720,020</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 20, 2018. Oregon PERS produces an independently audited CAFR which can be found at: <http://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>

*Actuarial Valuations:* The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

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

*Actuarial Methods and Assumptions:*

Valuation Date	December 31, 2015 rolled forward to June 30, 2017
Experience Study Report	2014, Published September 23, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.50 percent
Projected salary increase	3.50 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 sex-distinct, generational per scale BB, disabled mortality table.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
 MULTNOMAH COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2015 Experience Study which is reviewed for the four-year period ending December 31, 2015.

*Assumed Asset Allocation:*

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

*Source: June 30, 2017 PERS CAFR; p. 92)*

*Long-Term Expected Rate of Return:* To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
<i>Assumed Inflation - Mean</i>		2.50%

*Source: June 30, 2017 PERS CAFR; p. 69*

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Discount Rate:* The discount rate used to measure the total pension liability, as of the measurement dates June 30, 2017 and 2016 was 7.50 and 7.50 percent respectively, for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 145,740,271	\$ 85,519,165	\$ 35,163,168

*Changes Subsequent to the Measurement Date*

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

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

*OPSRP Individual Account Program (OPSRP IAP)*

*Plan Description:* Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Pension Benefits:* Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

*Death Benefits:* Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

*Contributions:* Employees of the District pay six (6) percent of their covered payroll. The City did not make any optional contributions to member IAP accounts for the year ended June 30, 2018.

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

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>

**NOTE 11. OTHER POST-EMPLOYMENT BENEFIT PLAN - (RHIA)**

*Plan Description:* As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

*Funding Policy:* Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.



MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 11. OTHER POST-EMPLOYMENT BENEFIT PLAN - (RHIA)**

Participating Districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.50% of annual covered OPERF payroll and 0.43% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (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) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the year ended June 30, 2018 were considered by management to be immaterial to the basic financial statements.

At June 30, 2018, the District's net OPEB liability and deferred inflows and outflows were not considered to be material to the basic financial statements by management and were not accrued on the government wide statements.

**NOTE 12. OTHER POST EMPLOYMENT BENEFITS**

**POST RETIREMENT HEALTH CARE**

The District, as a result of collective bargaining agreements, offers post-employment health care benefits under a single-employer, defined benefit plan for all employees who have completed a specified number of years of continuous service, are eligible for full OPERS benefits, elect early retirement and were hired prior to July 1, 2006.

For eligible licensed employees the District will provide medical coverage for the lesser of seven years or until eligible for Medicare (age 65). For administrators, managers, supervisor and confidential employees, coverage is until Medicare eligibility date regardless of retirement age, assuming full OPERS coverage. For eligible classified employees with 15 years of service, coverage is provided up to the lesser of five years or until eligible for Medicare (age 65).

The District's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. The plan is currently unfunded in accordance with GASB statement 75. In accordance with the terms of the plan, benefit payments are recognized when due and payable in the governmental statements. The activities of the plan are reported in the General Fund.

The District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions for the fiscal year ended June 30, 2018. This implementation allows the district to report its liability for other post-employment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements. The District maintains single employer post-employment benefit programs (commonly referred to as early retirement). These programs cover licensed and administrative personnel of the District, individual employees, and certain retired employees.

In implementing GASB Statement No. 75, the following changes since the prior valuation were implemented; (a) the actuarial cost method was changed from Projected Unit Credit to Entry Age Normal, (b) the interest rate for discounting future liabilities was lowered to match municipal bond rates, (c) premium increase rates were modified to reflect anticipated experience, (d) the percentage of future retirees covering a spouse on the plan was decreased to reflect the anticipated experience, (e) demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for Oregon PERS, and (f) an implicit rate subsidy is now being valued for participants in the health plans. In prior valuations, the District's participation in the health plans was determined to be a community rated arrangement.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 12. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

*POST RETIREMENT HEALTH CARE (CONTINUED)*

*Annual OPEB Cost and Total OPEB Liability:* The annual other postemployment benefit (OPEB) cost is calculated based on the Total OPEB Liability, an amount actuarially determined in accordance with the parameters of GASB Statement 75. For detailed information and a table showing the components of the District's annual OPEB costs and liabilities, see page 45.

*Actuarial Methods and Assumptions:* The Total OPEB Liability for the current year was determined as part of the July 1, 2017 actuarial valuation using the entry age normal 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. Examples include assumptions about mortality, claim cost and the healthcare cost trend. The actuarial assumptions included; (a) a rate of return on investment of present and future assets of 3.58% compounded annually; (b) no future increase in benefit payable from this program; (c) a general inflation rate of 2.5% per year, and (d) no post-retirement benefit increases and a payroll increase of 3%. 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.

Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year. The present value of benefits accrued as of the valuation date is called the accrued liability.

*Funding Status and Funding Progress:* As of July 1, 2017, the plan was 0% funded. The actuarial accrued liability for benefits was \$12,936,650, and the actuarial value of assets was \$0. Estimated covered payroll was \$123,766.

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees or beneficiaries currently receiving benefits	111
Active Employees	<u>1,218</u>
	<u>1,329</u>

*Total OPEB Liability*

The District's total OPEB liability of \$12,791,606 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

*Actuarial Assumptions and Other Inputs*

The District's total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 12. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

*POST RETIREMENT HEALTH CARE (CONTINUED)*

*Actuarial assumptions:*

Valuation Date	July 1, 2017 rolled forward to June, 30 2018
Actuarial Cost Method	Entry Age Normal
Investment Return Assumption (Interest Discount)	The 3.58% investment return assumption is the December 29, 2016 rate in the 20-Year General Obligation Municipal Bond Index published by Bond Buyer.
Plan Participation	100% assumed will elect coverage at retirement if eligible for district paid insurance; 40% assumed if only eligible for self-pay insurance.
Moda Medical Premium annual trend rate	8.0% increase in October 2017 with later increases reducing annually by 0.5% to 5% and stable thereafter
Kaiser Medical Premium annual Trend Rate	5% increase in all future years
Dental premiums annual trend rate	2% in October 2017 with later increases rising annually by 0.5% to 3% and stable thereafter.
Inflation rate	2.5% for all future years
Annual salary rate increases	3.5% for all future years
Health care premium	
Beginning in 2018, a 40% excise tax will be imposed under the Affordable Care Act on employers in the aggregate value of medical coverage exceeds a threshold limit. This excise tax is not included in the calculations because it is believed to be immaterial in regard to the OPEB plan.	

*Changes in Total OPEB Liability*

Total OPEB Liability at June 30, 2017	\$ 12,936,650
Changes for the year:	
Service Cost	1,363,361
Interest	389,515
Changes of Benefit Terms	-
Changes from economic/demographic gains or losses	-
Changes of assumptions or other inputs	(623,313)
Benefit Payments	<u>(1,274,607)</u>
Net Changes	<u>(145,044)</u>
Total OPEB Liability at June 30, 2018	<u>\$ 12,791,606</u>

Changes of assumptions: Interest Discount, the investment return assumption was increased from 3.00% to 3.58%. Persistence, the drop rate for retirees self-paying for coverage was increased from 5% to 10% based on district experience from 2010 to 2016.

*Sensitivity of the total OPEB Liability to changes in discount rate:* the following presents the total OPEB liability of the District, as well as what the District's total OPEB Liability would be if it were calculated using a discount rate 1 percentage point higher and lower than the current rate.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 12. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

*POST RETIREMENT HEALTH CARE (CONTINUED)*

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	2.58%	3.58%	4.58%
Total OPEB Liability	\$ 13,651,718	\$ 12,791,606	\$ 11,980,484

*Sensitivity of the total OPEB Liability to changes in the healthcare cost trend rates:* the following presents the total OPEB liability of the District, as well as what the District's total OPEB Liability would be if it were calculated using health care cost trend rates that are 1 percentage point higher and lower than the current healthcare cost trend rates.

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 11,563,438	\$ 12,791,606	\$ 14,227,322

*OPEB Expense and Deferred Inflows of Resources Related to OPEB:* For the year ended June 30, 2018, the District recognized negative OPEB expense of \$510,609 in the government wide Statement of Activities. At June 30, 2018, the District reported deferred inflows of resources relating to the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	(541,298)
Subtotal - Amortized Deferrals (below)	-	(541,298)
Contributions made subsequent to measurement date	906,863	-
Deferred outflow (inflow) of resources	<u>\$ 906,863</u>	<u>\$ (541,298)</u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net OPEB health care liability in the fiscal year ended June 30, 2019.

Subtotal amounts related to OPEB health care as deferred outflows of resources, \$0, and deferred inflows of resources, (\$541,298), net to (\$541,298) and will be recognized in OPEB health care expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ (82,015)
2019	(82,015)
2020	(82,015)
2021	(82,015)
2022	(82,015)
Thereafter	(131,223)
Total	<u>\$(541,298)</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 12. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**EARLY RETIREMENT PLAN - STIPENDS**

The District also operates a single-employer early retirement stipend plan.

The following table shows the changes in total OPEB pension liability for the year ending June 30, 2018:

Total OPEB Pension Liability at June 30, 2017		\$ 2,266,585
Changes for the year:		
Service Cost		135,644
Interest		66,380
Changes of Benefit Terms		-
Changes from economic/demographic gains or losses		(16,021)
Changes of assumptions or other inputs		(85,023)
Benefit Payments		<u>(147,214)</u>
Net Changes		<u>(46,234)</u>
Total OPEB Pension Liability at June 30, 2018		<u>\$ 2,220,351</u>

Actuarial Methods and Assumptions: The total pension liability above was determined by an actuarial valuation as of the valuation date calculated based on the discount rate and actuarial assumptions listed below, and was then projected forward/backwards to the measurement date. The unfunded accrued liability is amortized over an open period of 4 years as a percentage of payroll, and is still open.

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Investment return assumption (interest discount)	3.58% per year
Demographic Assumptions	Based on Oregon PERS valuation assumptions as of December 31, 2016
Inflation Rate	2.5% per year
Salary Increases	3.5% per year

Sensitivity Analysis: The following presents the total pension liability of the plan, calculated using the discount rate as of the measurement date, as well as what the plan's total pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	2.58%	3.58%	4.58%
Total Pension Liability	\$ 2,336,970	\$ 2,220,351	\$ 2,105,669

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 12. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

*EARLY RETIREMENT PLAN – STIPENDS (CONTINUED)*

For the year ended June 30, 2018, the District recognized a pension expense of \$401,965. At June 30, 2018, the District reported deferred outflows of resources related to the early retirement plan from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ (14,018)
Changes in assumptions	94,683	(74,395)
Subtotal - Amortized Deferrals (below)	94,683	(88,413)
Contributions made subsequent to measurement date	170,170	-
Deferred outflow (inflow) of resources	\$ 264,853	\$ (88,413)

The amount of contributions subsequent to the measurement date will be included as a reduction of the net OPEB stipend liability in the fiscal year ended June 30, 2019.

Subtotal amounts related to OPEB health care as deferred outflows of resources, \$94,683, and deferred inflows of resources, (\$88,413), net to \$6,270 and will be recognized in OPEB health care expense as follows:

Year ending June 30,	Amount
2018	\$ (1,492)
2019	(1,492)
2020	(1,492)
2021	(1,492)
2022	(1,492)
Thereafter	13,730
Total	\$ 6,270

**NOTE 13. TAX ABATEMENTS**

As of June 30, 2018, the District had tax abatements through eleven programs, the largest one is the Enterprise Zone.

**Enterprise Zone (ORS 285C.175):**

The Oregon Enterprise Zone program is a State of Oregon economic development program established, that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor.

The Enterprise Zone program allows industrial firms that will be making a substantial new capital investment a waiver of 100% of the amount of real property taxes attributable to the new investment for a 5-year period after completion. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

For the fiscal year ended June 30, 2018, the District had abated taxes totaling \$482,984 under this program.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 14. PENDING LEGAL ACTIONS**

The District is a defendant in certain pending legal actions, including one action that could have a material effect on the District's financial position if the District has an adverse conclusion. It is too soon to determine any outcome. The District is vigorously defending itself.

**NOTE 15. 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 16. 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 17. 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 was 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.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS

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**NOTE 18. RESTATEMENT OF NET POSITION**

Due to the implementation of GASB Statement No. 75, a restatement of the prior year net position was required.

The Restatement is as follows:

Net Position - Beginning as previously reported	\$	(24,960,640)
Beginning net position for OPEB Obligation liability as previously reported		8,832,698
Restated beginning net position for OPEB obligation liability under GASB Statement No. 75		<u>(12,936,650)</u>
Net Postion - Beginning as restated	\$	<u>(29,064,592)</u>

**NOTE 19. PRIOR PERIOD ADJUSTMENTS**

The prior period adjustments were to correct an error where prior year interest earnings of \$1,231,316 were posted to the GO Bond Debt Service fund instead of the GO Bond Projects Fund.



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

**REQUIRED SUPPLEMENTARY INFORMATION**

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REYNOLDS SCHOOL DISTRICT  
MARION COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

At June 30, 2018

PERS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.55 %	\$ 85,519,165	\$ 63,884,244	133.9 %	83.1 %
2017	0.55	82,744,959	64,947,816	127.4	80.5
2016	0.47	26,851,775	61,541,587	43.6	91.9
2015	0.48	(10,827,948)	57,457,850	(18.8)	103.6
2014	0.48	24,377,398	55,916,694	43.6	92.0

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

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

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2018	\$ 13,901,399	\$ 13,901,399	\$ -	\$ 63,752,102	21.8 %
2017	9,462,011	9,462,011	-	63,884,244	14.8
2016	8,727,974	8,727,974	-	64,947,816	13.4
2015	5,438,439	5,438,439	-	61,541,587	8.8
2014	5,136,148	5,136,148	-	57,457,850	8.9

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

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

**MULTNOMAH COUNTY SCHOOL DISTRICT NO.7**  
**Multnomah County, Oregon**

**SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS**  
**OPEB HEALTH CARE AND PENSION STIPENDS**  
**June 30, 2018**

**PLAN I (OPEB): (HEALTH CARE)**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

Year Ended June 30,	Total OPEB Liability - Beginning	Service Cost	Interest	Changes of Benefit Terms	Changes of Assumptions	Benefit Payments	Total OPEB Liability - End of Year	Estimated Covered Payroll	Total OPEB Liability as a % of Covered Payroll
2018	\$ 12,936,650	\$ 1,363,361	\$ 389,515	\$ -	\$ (623,313)	\$ (1,274,607)	\$ 12,791,606	\$ 123,766	\$ 103.35

**PLAN II (PENSION): (STIPENDS)**

**SCHEDULE OF CHANGES IN TOTAL OPEB PENSION LIABILITY AND RELATED RATIOS**

Year Ended June 30,	Total Pension Liability - Beginning	Service Cost	Interest	Changes of Benefit Terms	Changes of Assumptions	Benefit Payments	Total Pension Liability - End of Year	Estimated Covered Payroll	Total Pension Liability as a % of Covered Payroll
2018	\$ 2,266,585	\$ 135,644	\$ 66,380	\$ -	\$ (101,044)	\$ (147,214)	\$ 2,220,351	\$ 241,162	\$ 9.21
2017	2,083,076	118,075	82,194	-	116,961	(133,721)	2,266,585	TBD	TBD

The amounts presented for each fiscal year are actuarially determined and rolled forward

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

**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, 2018**

**GENERAL FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES:</b>				
Local Sources	\$ 26,167,276	\$ 26,167,276	\$ 26,851,232	\$ 683,956
Intermediate Sources	2,409,700	2,409,700	1,333,262	(1,076,438)
State Sources	98,410,564	98,410,564	98,095,712	(314,852)
Federal Sources	115,000	115,000	68,186	(46,814)
<b>Total Revenue</b>	<u>127,102,540</u>	<u>127,102,540</u>	<u>126,348,392</u>	<u>(754,148)</u>
<b>EXPENDITURES:</b>				
Instruction	77,815,308	77,815,308 (1)	74,770,363	3,044,945
Support Services	48,490,953	48,490,953 (1)	44,953,890	3,537,063
Community Services	142,780	142,780 (1)	132,223	10,557
Debt Service	408,024	408,024 (1)	322,379	85,645
Contingency	1,000,000	1,000,000 (1)	-	1,000,000
<b>Total Expenditures</b>	<u>127,857,065</u>	<u>127,857,065</u>	<u>120,178,855</u>	<u>7,678,210</u>
Excess of Revenues Over (Under) Expenditures	(754,525)	(754,525)	6,169,537	6,924,062
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(2,380,288)	(2,380,288) (1)	(2,042,470)	337,818
<b>Total Other Financing Sources (Uses)</b>	<u>(2,380,288)</u>	<u>(2,380,288)</u>	<u>(2,042,470)</u>	<u>337,818</u>
<b>Net Change in Fund Balance</b>	<b>(3,134,813)</b>	<b>(3,134,813) -</b>	<b>4,127,067</b>	<b>7,261,880</b>
Beginning Fund Balance	8,105,779	8,105,779	9,493,696	1,387,917
<b>Ending Fund Balance</b>	<u>\$ 4,970,966</u>	<u>\$ 4,970,966</u>	<u>13,620,763</u>	<u>\$ 8,649,797</u>
Reconciliation to Governmental Fund Balance as required by GASB 54:				
Ending Fund Balance Retirement Fund			175,072	
			<u>\$ 13,795,835</u>	

(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, 2018**

**FEDERAL PROGRAMS FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES:</b>				
Federal Sources	\$ 8,936,347	\$ 8,936,347	\$ 8,433,881	\$ (502,466)
Total Revenues	<u>8,936,347</u>	<u>8,936,347</u>	<u>8,433,881</u>	<u>(502,466)</u>
<b>EXPENDITURES:</b>				
Instruction	5,652,296	5,502,296 (1)	5,262,290	240,006
Support Services	3,147,845	3,147,845 (1)	2,944,514	203,331
Community Services	136,206	286,206 (1)	227,077	59,129
Total Expenditures	<u>8,936,347</u>	<u>8,936,347</u>	<u>8,433,881</u>	<u>502,466</u>
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(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, 2018**

**DEBT SERVICE FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES:</b>				
Local Sources	\$ 3,676,500	\$ 3,676,500	\$ 5,147,833	\$ 1,471,333
Total Revenues	<u>3,676,500</u>	<u>3,676,500</u>	<u>5,147,833</u>	<u>1,471,333</u>
<b>EXPENDITURES:</b>				
Debt Service	4,936,750	4,936,750 (1)	4,936,419	331
Contingency	<u>239,750</u>	<u>239,750 (1)</u>	<u>-</u>	<u>239,750</u>
Total Expenditures	<u>5,176,500</u>	<u>5,176,500</u>	<u>4,936,419</u>	<u>240,081</u>
Excess of Revenues Over (Under) Expenditures	(1,500,000)	(1,500,000)	211,414	1,711,414
Beginning Fund Balance	<u>1,500,000</u>	<u>1,500,000</u>	<u>2,398,681</u>	<u>898,681</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,610,095</u>	<u>\$ 2,610,095</u>

(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, 2018**

**PERS BOND FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES:</b>				
Local Sources	\$ 7,710,490	\$ 7,710,490	\$ 7,737,758	\$ 27,268
Total Revenues	<u>7,710,490</u>	<u>7,710,490</u>	<u>7,737,758</u>	<u>27,268</u>
<b>EXPENDITURES:</b>				
Debt Service	<u>7,710,490</u>	<u>7,710,490 (1)</u>	<u>7,710,490</u>	<u>-</u>
Total Expenditures	<u>7,710,490</u>	<u>7,710,490</u>	<u>7,710,490</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	-	-	27,268	27,268
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>121,751</u>	<u>121,751</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,019</u>	<u>\$ 149,019</u>

(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, 2018**

**2015 GO BOND DEBT FUND**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES:</b>				
Local Sources	\$ 5,827,075	\$ 5,827,075	\$ 5,796,423	\$ (30,652)
Total Revenues	5,827,075	5,827,075	5,796,423	(30,652)
<b>EXPENDITURES:</b>				
Debt Service	4,033,650	4,033,650 (1)	4,033,650	-
Contingency	1,993,425	1,993,425 (1)	-	1,993,425
Total Expenditures	6,027,075	6,027,075	4,033,650	1,993,425
Excess of Revenues Over (Under) Expenditures	(200,000)	(200,000)	1,762,773	1,962,773
Beginning Fund Balance	200,000	200,000	1,340,781	1,140,781
Prior Period Adjustment	-	-	(1,231,316)	
Ending Fund Balance	\$ -	\$ -	\$ 1,872,238	\$ 1,872,238

(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, 2018**

**2015 GO BOND PROJECTS FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES:</b>				
Local Sources	\$ 175,000	\$ 175,000	\$ 1,038,808	\$ 863,808
Total Revenues	<u>175,000</u>	<u>175,000</u>	<u>1,038,808</u>	<u>863,808</u>
<b>EXPENDITURES:</b>				
Facilities Acquisition and Construction	114,794,626	114,794,626 (1)	92,423,628	22,370,998
Contingency	10,380,374	10,380,374 (1)	-	10,380,374
Total Expenditures	<u>125,175,000</u>	<u>125,175,000</u>	<u>92,423,628</u>	<u>(32,751,372)</u>
Excess of Revenues Over (Under) Expenditures	(125,000,000)	(125,000,000)	(91,384,820)	33,615,180
Beginning Fund Balance	125,000,000	125,000,000	118,839,738	(6,160,262)
Prior Period Adjustment	-	-	1,231,316	1,231,316
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,686,234</u>	<u>\$ 28,686,234</u>

(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, 2018**

**CAPITAL PROJECTS FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES:</b>				
Local Sources	\$ 500	\$ 500	\$ 447,272	\$ 446,772
Intermediate Sources	135,000	135,000	-	(135,000)
Total Revenues	<u>135,500</u>	<u>135,500</u>	<u>447,272</u>	<u>311,772</u>
<b>EXPENDITURES:</b>				
Facilities Acquisition and Construction	1,000	1,000 (1)	276	724
Debt Service	1,638,388	1,638,388 (1)	1,638,388	-
Total Expenditures	<u>1,639,388</u>	<u>1,639,388</u>	<u>1,638,664</u>	<u>724</u>
Excess of Revenues Over (Under) Expenditures	(1,503,888)	(1,503,888)	(1,191,392)	312,496
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,442,288	1,442,288	1,442,288	-
Net Change in Fund Balance	(61,600)	(61,600)	250,896	312,496
Beginning Fund Balance	61,600	61,600	66,634	5,034
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,530</u>	<u>\$ 317,530</u>

(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, 2018**

**2016 SCHOOL IMPROVEMENT PROJECTS FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES:</b>				
Local Sources	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
<b>EXPENDITURES:</b>				
Support Services	-	-	-	-
Facilities Acquisition and Construction	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	-	-	1,329,904	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,329,904</u>	<u>\$ -</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

SPECIAL REVENUE FUNDS

	NUTRITION SERVICE FUND	STATE AND LOCAL PROGRAMS FUND	SELF INSURANCE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS:</b>				
Cash	\$ 209,495	\$ 359,033	\$ -	\$ 568,528
Receivables:				
Accounts/Grants	980,194	942,709	121,108	2,044,011
Inter-Fund Receivable	2,120,093	2,746,050	36,800	4,902,943
Prepaid Expenses	-	-	-	-
Inventories	174,569	-	-	174,569
<b>Total Assets</b>	<b>3,484,351</b>	<b>4,047,792</b>	<b>157,908</b>	<b>7,690,051</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts Payable	93,575	349,440	-	443,015
Retainage Payable	-	2,795	-	2,795
Inter-Fund Payable	-	507,236	-	507,236
<b>Total Liabilities</b>	<b>93,575</b>	<b>859,471</b>	<b>-</b>	<b>953,046</b>
<b>Deferred Inflows of Resources</b>				
Unearned Revenue	5,202	9,757	-	14,959
<b>Total Liabilities and Deferred Revenue</b>	<b>98,777</b>	<b>869,228</b>	<b>-</b>	<b>968,005</b>
<b>Fund Balances:</b>				
Nonspendable	174,569	-	-	174,569
Restricted	3,211,005	85,860	-	3,296,865
Committed	-	-	157,908	157,908
Assigned	-	3,092,704	-	3,092,704
<b>Total Fund Balances</b>	<b>3,385,574</b>	<b>3,178,564</b>	<b>157,908</b>	<b>6,722,046</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,484,351</b>	<b>\$ 4,047,792</b>	<b>\$ 157,908</b>	<b>\$ 7,690,051</b>

\* Note: State and Local Programs Fund includes Fund 260 which is the accounting for the ASB funds within District System.



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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

	SPECIAL REVENUE FUNDS			
	NUTRITION SERVICE FUND	STATE AND LOCAL PROGRAMS FUND	SELF INSURANCE FUND	NONMAJOR GOVERNMENTAL FUNDS
REVENUES:				
Local Sources	\$ 368,342	\$ 1,524,896	\$ 8,962	\$ 1,902,200
Intermediate Sources	-	2,126,020	-	2,126,020
State Sources	59,250	673,457	-	732,707
Federal Sources	5,636,624	-	-	5,636,624
Total Revenues	<u>6,064,216</u>	<u>4,324,373</u>	<u>8,962</u>	<u>10,397,551</u>
EXPENDITURES:				
Instruction	-	1,821,249	-	1,821,249
Support Service	-	2,327,994	22,013	2,350,007
Community Services	5,728,333	221,200	-	5,949,533
Total Expenditures	<u>5,728,333</u>	<u>4,370,443</u>	<u>22,013</u>	<u>10,120,789</u>
Excess of Revenues Over (Under) Expenditures	<u>335,883</u>	<u>(46,070)</u>	<u>(13,051)</u>	<u>276,762</u>
Other Financing Sources, -Uses:				
Transfers In	52,974	7,208	-	60,182
Total Other Financing Sources (Uses)	<u>52,974</u>	<u>7,208</u>	<u>-</u>	<u>60,182</u>
Net Change in Fund Balance	388,857	(38,862)	(13,051)	336,944
Beginning Fund Balance	<u>2,996,717</u>	<u>3,217,426</u> *	<u>170,959</u>	<u>6,385,102</u>
Ending Fund Balance	<u>\$ 3,385,574</u>	<u>\$ 3,178,564</u>	<u>\$ 157,908</u>	<u>\$ 6,722,046</u>

\* Note: State and Local Programs Fund includes Fund 260 which is the accounting for the ASB funds within District System.

**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, 2018**

**NUTRITION SERVICE FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES:</b>				
Local Sources	\$ 335,000	\$ 335,000	\$ 368,342	\$ 33,342
State Sources	15,000	15,000	59,250	44,250
Federal Sources	6,125,000	6,125,000	5,636,624 (2)	(488,376)
Total Revenues	<u>6,475,000</u>	<u>6,475,000</u>	<u>6,064,216</u>	<u>(410,784)</u>
<b>EXPENDITURES:</b>				
Enterprise and Community Services	7,663,547	7,663,547 (1)	5,728,333	1,935,214
Contingencies	1,271,453	1,271,453 (1)	-	1,271,453
Total Expenditures	<u>8,935,000</u>	<u>8,935,000</u>	<u>5,728,333</u>	<u>3,206,667</u>
Excess of Revenues Over (Under) Expenditures	(2,460,000)	(2,460,000)	335,883	2,795,883
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	60,000	60,000	52,974 (2)	(7,026)
Total Other Financing Sources (Uses)	<u>60,000</u>	<u>60,000</u>	<u>52,974</u>	<u>(7,026)</u>
Net Change in Fund Balance	(2,400,000)	(2,400,000)	388,857	2,788,857
Beginning Fund Balance	<u>2,400,000</u>	<u>2,400,000</u>	<u>2,996,717</u>	<u>596,717</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,385,574</u>	<u>\$ 3,385,574</u>

(1) Appropriation Level

(2) Included in this transfer from the General Fund is the required state appropriated general purpose revenues of \$52,974 the District must transfer to the Food Service Fund for National School Lunch Support in order to meet the general cash assistance match for 2017-2018

**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, 2018**

**STATE AND LOCAL PROGRAMS FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES:</b>				
Local Sources	\$ 1,387,443	\$ 1,387,443	\$ 1,524,896	\$ 137,453
Intermediate Sources	5,173,179	5,173,179	2,126,020	(3,047,159)
State Sources	170,736	170,736	673,457	502,721
Total Revenues	<u>6,731,358</u>	<u>6,731,358</u>	<u>4,324,373</u>	<u>(2,406,985)</u>
<b>EXPENDITURES:</b>				
Instruction	2,183,521	2,183,521 (1)	1,821,249	362,272
Support Services	6,606,863	6,606,863 (1)	2,327,994	4,278,869
Community Services	424,409	424,409 (1)	221,200	203,209
Contingencies	507,837	507,837 (1)	-	507,837
Total Expenditures	<u>9,722,630</u>	<u>9,722,630</u>	<u>4,370,443</u>	<u>5,352,187</u>
Excess of Revenues Over (Under) Expenditures	(2,991,272)	(2,991,272)	(46,070)	2,945,202
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	338,000	338,000	7,208	(330,792)
Total Other Financing Sources (Uses)	338,000	338,000	7,208	(330,792)
Net Change in Fund Balance	(2,653,272)	(2,653,272)	(38,862)	2,614,410
Beginning Fund Balance	<u>2,663,272</u>	<u>2,663,272</u>	<u>3,217,426</u> *	<u>554,154</u>
Ending Fund Balance	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 3,178,564</u>	<u>\$ 3,168,564</u>

(1) Appropriation Level

\* Note: State and Local Programs Fund includes Fund 260 which is accounting for the ASB funds within District System.

**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, 2018**

**SELF-INSURANCE FUND**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES:</b>				
Local Sources	\$ 496,518	\$ 496,518	\$ 8,962	\$ (487,556)
Total Revenues	<u>496,518</u>	<u>496,518</u>	<u>8,962</u>	<u>(487,556)</u>
<b>EXPENDITURES:</b>				
Support Services	<u>496,518</u>	<u>496,518</u>	(1) 22,013	<u>474,505</u>
Total Expenditures	<u>496,518</u>	<u>496,518</u>	<u>22,013</u>	<u>474,505</u>
Excess of Revenues Over (Under) Expenditures	-	-	(13,051)	(13,051)
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>170,959</u>	<u>170,959</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,908</u>	<u>\$ 157,908</u>

(1) Appropriation Level

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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, 2018**

	<u>RETIREMENT FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>EXPENDITURES:</b>				
Support Services	\$ 550,000	\$ 550,000 (1)	\$ 364,928	\$ 185,072
Total Enterprise and Comm. Services	<u>550,000</u>	<u>550,000</u>	<u>364,928</u>	<u>185,072</u>
Excess of Revenues Over (Under) Expenditures	(550,000)	(550,000)	(364,928)	(185,072)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	<u>540,000</u>	<u>540,000</u>	<u>540,000</u>	<u>-</u>
Net Change in Fund Balance	(10,000)	(10,000)	175,072	185,072
Beginning Fund Balance	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,072</u>	<u>\$ 175,072</u>

(1) Appropriation Level

Note: This fund's activities have ben combined with the General Fund activites 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

COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS

June 30, 2018

	<u>Maria Reed Memorial Fund</u>	<u>R.S. Reynolds Scholarship Fund</u>	<u>Mark Whitehead Scholarship Fund</u>	<u>Skip Squires Scholarship Fund</u>
<b>ASSETS:</b>				
Due From Other Funds	\$ -	\$ -	\$ -	\$ -
<b>LIABILITIES:</b>				
Due to Student Organizations	-	-	-	-
<b>NET POSITION:</b>				
Reserved for Scholarship Programs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Continued on 60B*

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON

COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS

June 30, 2018

	<u>Viskov Memorial Fund</u>	<u>Emilio Hoffman Memorial Fund</u>	<u>H. Anderson Fine Arts Scholarship Fund</u>	<u>RSD Avid Scholarship Fund</u>	<u>Total</u>
<b>ASSETS:</b>					
Due From Other Funds	\$ -	\$ -	\$ 1,500	\$ -	\$ 1,500
<b>LIABILITIES:</b>					
Due to Student Organizations	-	-	1,500	-	1,500
<b>NET POSITION:</b>					
Reserved for Scholarship Programs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Continued from 60A*



MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
For the year ended June 30, 2018

	<u>Maria Reed Memorial Fund</u>	<u>R.S. Reynolds Scholarship Fund</u>	<u>Mark Whitehead Scholarship Fund</u>	<u>Skip Squires Scholarship Fund</u>
<b>ADDITIONS:</b>				
Receipts	\$ -	\$ -	\$ -	\$ -
<b>DEDUCTIONS:</b>				
Disbursements	<u>3</u>	<u>6,465</u>	<u>7</u>	<u>-</u>
Change in Net Position	(3)	(6,465)	(7)	-
Beginning Net Position	<u>3</u>	<u>6,465</u>	<u>7</u>	<u>-</u>
Ending Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Continued on 61B*

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7  
MULTNOMAH COUNTY, OREGON

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
For the year ended June 30, 2018

	Viskov Memorial Fund	Emilio Hoffman Memorial Fund	H. Anderson Fine Arts Scholarship Fund	RSD Avid Scholarship Fund	Total
<b>ADDITIONS:</b>					
Receipts	\$ -	\$ -	\$ 1,500	\$ 316	\$ 1,816
<b>DEDUCTIONS:</b>					
Disbursements	<u>2,917</u>	<u>1,550</u>	<u>1,500</u>	<u>1,428</u>	<u>13,870</u>
Change in Net Position	(2,917)	(1,550)	-	(1,112)	(12,054)
Beginning Net Position	<u>2,917</u>	<u>1,550</u>	<u>-</u>	<u>1,112</u>	<u>12,054</u>
Ending Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Continued from 61A*

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, 2018

<u>GENERAL FUND</u>						
TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2017	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/2018
Current:						
2017-18	\$ 26,418,350	\$ 694,510	\$ (99,690)	\$ 7,450	\$ 25,229,071	\$ 402,529
Prior Years:						
2016-17	486,712	(67)	(129,301)	10,570	182,474	185,574
2015-16	303,301	(100)	(110,013)	11,485	65,369	139,504
2014-15	232,352	(48)	(37,753)	15,129	53,213	156,563
2013-14	169,226	(2)	(21,589)	9,520	28,256	128,903
Prior Years	<u>442,306</u>	<u>(2)</u>	<u>4,935</u>	<u>4,793</u>	<u>36,723</u>	<u>415,313</u>
Total Prior	<u>1,633,897</u>	<u>(219)</u>	<u>(293,721)</u>	<u>51,497</u>	<u>366,035</u>	<u>1,025,857</u>
Total All Years	<u>\$ 28,052,247</u>	<u>\$ 694,291</u>	<u>\$ (393,411)</u>	<u>\$ 58,947</u>	<u>\$ 25,595,106</u>	<u>\$ 1,428,386</u>

RECONCILIATION TO REVENUE:

	<u>TOTAL</u>
Cash Collections by County Treasurers Above	\$ 25,595,106
Accrual of Receivables:	
June 30, 2017	(70,118)
June 30, 2018	130,310
Taxes in lieu	<u>(343,017)</u>
Total Revenue	<u>\$ 25,312,281</u>

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, 2018

DEBT SERVICE FUNDS

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2017	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/2018
Current:						
2017-18	\$ 11,319,952	\$ 297,589	\$ (203,701)	\$ 3,192	\$ 10,651,903	\$ 169,951
Prior Years:						
2016-17	180,023	(25)	(49,248)	3,909	66,787	67,922
2015-16	104,266	(35)	(37,752)	4,532	22,680	48,401
2014-15	70,415	(15)	(11,085)	4,625	16,227	47,743
2013-14	60,732	(1)	(8,529)	3,416	10,000	45,620
Prior Years	129,892	-	(5,066)	(8)	2,087	122,731
Total Prior	545,328	(76)	(111,680)	16,474	117,781	332,417
Total All Years	<u>\$ 11,865,280</u>	<u>\$ 297,513</u>	<u>\$ (315,381)</u>	<u>\$ 19,666</u>	<u>\$ 10,769,684</u>	<u>\$ 502,368</u>

RECONCILIATION TO REVENUE:

	<u>TOTAL</u>
Cash Collections by County Treasurers Above	\$ 10,769,684
Accrual of Receivables:	
June 30, 2017	(25,074)
June 30, 2018	51,956
Taxes in lieu	(96,440)
Total Revenue	<u>\$ 10,700,126</u>

RECONCILIATION TO RECEIVABLES BY FUND:

	<u>TOTAL</u>
Debt Service Fund	\$ 370,859
2015 GO Bond Debt Service Fund	131,509
Total Debt Service Funds Receivables	<u>\$ 502,368</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2018

Federal Grantor	Program Title	Pass through Grantor	CFDA Number	Pass Through Entry Number	Grant Period	Expenditures	Passed Through to Subrecipients
<b>US Department of Education - Special Revenue Fund:</b>							
	Title IA YR 16/17	Oregon State Department of Education	84.010	41148	07/01/2016-09/30/2018	960,539	NA
	Title IA YR 17/18	Oregon State Department of Education	84.010	45683	07/01/2017-09/30/2018	3,945,420	NA
					<b>Total</b>	<b>4,905,959</b>	
	Title IIA Improving Teacher Quality 16/17	Oregon State Department of Education	84.367	41403	07/01/2016-09/30/2018	238,241	NA
	Title IIA Improving Teacher Quality 17/18	Oregon State Department of Education	84.367	45899	07/01/2017-09/30/2018	161,185	NA
					<b>Total</b>	<b>399,426</b>	
	Title III English Language Acquisition 16/17	Oregon State Department of Education	84.365	41794	07/01/2016-09/30/2017	360,289	NA
	Title III English Language Acquisition 17/18	Oregon State Department of Education	84.365	44249	07/01/2017-09/30/2018	36,225	NA
					<b>Total</b>	<b>396,514</b>	
	IDEA Part B YR 16/17	Oregon State Department of Education	84.027	41612	07/01/2016-09/30/2018	325,068	NA
	IDEA Part B YR 17/18	Oregon State Department of Education	84.027	45250	07/01/2018-09/30/2018	1,418,888	NA
	SPR & I IDEA Part B	Oregon State Department of Education	84.027	44485	07/01/2018-06/30/2018	11,130	NA
	Post School Outcomes - Interviews	Oregon State Department of Education	84.027	48484	6/1/2017-9/30/2017	1,050	NA
	IDEA Enhancement 2016-17 Formula	Oregon State Department of Education	84.027	42744	10/01/2016-09/30/2017	12,092	NA
	IDEA Enhancement 2017-18 Formula	Oregon State Department of Education	84.027	46530	10/01/2017-09/30/2018	12,731	NA
	IDEA Extended Assessment 2017-18 Formula	Oregon State Department of Education	84.027	45075	07/01/2017-06/30/2018	2,281	NA
					<b>Total</b>	<b>1,783,240</b>	
	IDEA Pre School Grant 2016-17	Oregon State Department of Education	84.173	40672	07/01/2016-09/30/2018	4,691	NA
	IDEA Pre School Grant 2017-18	Oregon State Department of Education	84.173	45495	07/01/2017-09/30/2019	-	NA
					<b>Total</b>	<b>4,691</b>	
	Fresh Fruit and Vegetable Program - Alder	Oregon State Department of Education	10.582	43015	10/01/2016-09/30/2017	1,633	NA
	Fresh Fruit and Vegetable Program - Davis	Oregon State Department of Education	10.582	43090	10/01/2016-09/30/2017	1,648	NA
	Fresh Fruit and Vegetable Program - Fairview	Oregon State Department of Education	10.582	43091	10/01/2016-09/30/2017	1,497	NA
	Fresh Fruit and Vegetable Program - Glenfair	Oregon State Department of Education	10.582	43092	10/01/2016-09/30/2017	1,935	NA
	Fresh Fruit and Vegetable Program - Hartley	Oregon State Department of Education	10.582	43093	10/01/2016-09/30/2017	1,687	NA
	Fresh Fruit and Vegetable Program - Margaret Scott	Oregon State Department of Education	10.582	43094	10/01/2016-09/30/2017	1,811	NA
	Fresh Fruit and Vegetable Program - Salish Ponds	Oregon State Department of Education	10.582	43095	10/01/2016-09/30/2017	1,669	NA
	Fresh Fruit and Vegetable Program - Wilkes	Oregon State Department of Education	10.582	43096	10/01/2016-09/30/2017	1,513	NA
	Fresh Fruit and Vegetable Program - Woodland	Oregon State Department of Education	10.582	43097	10/01/2016-09/30/2017	1,705	NA
	Fresh Fruit and Vegetable Program - Alder	Oregon State Department of Education	10.582	46342	10/01/2017-09/30/2018	21,527	NA
	Fresh Fruit and Vegetable Program - Davis	Oregon State Department of Education	10.582	46616	10/01/2017-09/30/2018	19,672	NA
	Fresh Fruit and Vegetable Program - Fairview	Oregon State Department of Education	10.582	46615	10/01/2017-09/30/2018	17,249	NA
	Fresh Fruit and Vegetable Program - Glenfair	Oregon State Department of Education	10.582	46614	10/01/2017-09/30/2018	22,476	NA
	Fresh Fruit and Vegetable Program - Hartley	Oregon State Department of Education	10.582	46613	10/01/2017-09/30/2018	20,452	NA
	Fresh Fruit and Vegetable Program - Margaret Scott	Oregon State Department of Education	10.582	46612	10/01/2017-09/30/2018	20,418	NA
	Fresh Fruit and Vegetable Program - Salish Ponds	Oregon State Department of Education	10.582	46611	10/01/2017-09/30/2018	21,122	NA
	Fresh Fruit and Vegetable Program - Wilkes	Oregon State Department of Education	10.582	46610	10/01/2017-09/30/2018	19,816	NA
	Fresh Fruit and Vegetable Program - Woodland	Oregon State Department of Education	10.582	46609	10/01/2017-09/30/2018	21,906	NA
					<b>Total</b>	<b>199,736</b>	
	School and Roads	Multnomah County Department of County Management	10.665	N/A	2017-2018	1,994	NA
	Title X - Education for Homeless Children & Youth	Oregon State Department of Education	84.196	46128	07/01/2017-09/30/2018	1,778	NA
	Title X - Education for Homeless Children & Youth	Oregon State Department of Education	84.196	40512	07/01/2016-09/30/2018	20,878	NA
					<b>Total</b>	<b>22,656</b>	
	School Improvement Grant - Glenfair	Oregon State Department of Education	84.377	46144	07/01/2017-9/30/2018	477,800	NA
	School Improvement Grant - M. Scott	Oregon State Department of Education	84.377	46172	07/01/2017-09/30/2018	400,384	NA
					<b>Total</b>	<b>878,184</b>	
	Juvenile Accountability Block Grant	Oregon State Department of Education	16.523	43178	1/1/2017-8/31/2017	359	NA
					<b>Total</b>	<b>359</b>	
<b>Department of Health and Human Services</b>							
	Foster Care Transportation	Oregon State Department of Education	93.658	47525	7/1/2017-6/30/2019	35,630	
					<b>Total</b>	<b>35,630</b>	
<b>Direct Federal Grants</b>							
	Title VII Indian Education YR 16/17		84.060A	S060A172099	07/01/2016-09/30/2017	7,222	NA
					<b>Total</b>	<b>7,222</b>	

US Department of Agriculture - Special Revenue Fund:

USDA Commodities	Oregon State Department of Education	10.555	N/A	2017-2018	388,049	NA
USDA Commodities	Oregon State Department of Education	10.559	N/A	2017-2018	528	NA
State Administrative Expenses for Child Nutrition	Oregon State Department of Education	10.560	NA	2017-2018	1,753	
National School Lunch Program	Oregon State Department of Education	10.555	N/A	2017-2018	3,433,095	NA
Summer Feeding Program	Oregon State Department of Education	10.559	N/A	2017-2018	115,882	NA
National School Breakfast	Oregon State Department of Education	10.553	N/A	2017-2018	1,254,318	NA
Child Care	Oregon State Department of Education	10.558	N/A	2017-2018	243,262	NA
				Total	<u>5,436,888</u>	

Total Federal Financial Assistance

\$ 14,072,499

Total federal awards expended, above	\$ 14,072,499
Accruals/Deferrals	<u>66,192</u>
Total federal revenue recognized	<u>\$ 14,138,691</u>

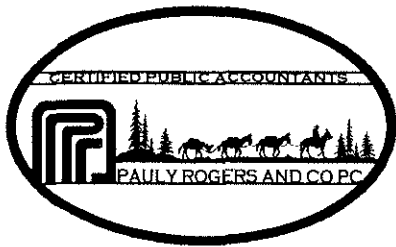
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**MULTNOMAH COUNTY SCHOOL DISTRICT NO. 7**  
**MULTNOMAH COUNTY, OREGON**

**INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS**



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

October 26, 2018

### **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, 2018, and have issued our report thereon dated October 26, 2018. 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 basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of the basic 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.

#### **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 basic 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.

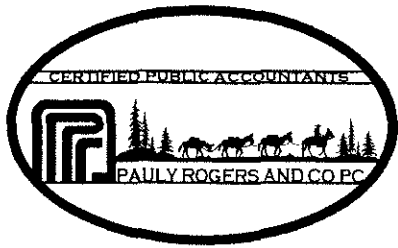
*Roy R Rogers*

ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.

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

**GRANT COMPLIANCE REVIEW**

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October 26, 2018

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and fiduciary funds of Multnomah County School District No. 7 as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated October 26, 2018.

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the basic financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

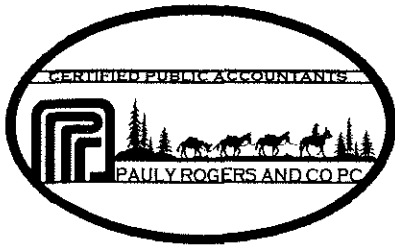
audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.



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October 26, 2018

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Multnomah County School District No. 7's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2018. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, Multnomah County School District No. 7, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.



## Report on Internal Control Over Compliance

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

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

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

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



ROY R. ROGERS, CPA  
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, 2018

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**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 515(d)(2) of the Uniform Guidance?  yes  no

---

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not considered to be material weaknesses?  yes  none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance?  yes  no

**IDENTIFICATION OF MAJOR PROGRAMS**

**CFDA NUMBER      NAME OF FEDERAL PROGRAM CLUSTER**

84.010              Title I  
84.377              School Improvement Grant

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

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, 2018

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

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

None

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards in this report includes federal grant activity under programs of the federal government. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the net position, changes in net position, or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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