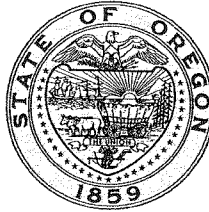


Office of the Secretary of State

Jeanne P. Atkins
Secretary of State

Robert Taylor
Deputy Secretary of State



Audits Division

Gary Blackmer
Director

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Salem, OR 97310

(503) 986-2255

May 22, 2015

Board of Directors
Multnomah County School District No. 3
10636 NE Prescott Street
Portland, Oregon 97220


We have reviewed the audit report of Multnomah County School District No. 3 for the period July 1, 2013, through June 30, 2014, in accordance with the provisions of ORS 297.465(3). It disclosed the following:

1. The statement of fiduciary net position reports net position of \$230,328 in the agency funds (p. 11). Agency fund assets should equal liabilities, resulting in a net position balance of zero (GASB Codification (June 30, 2012) §2200.199).
2. The grant accounting section of the summary of significant accounting policies (p. 15) states, "...cash received from grantor agencies in excess of related grant expenditures is recorded as *unearned revenue* on the statement of net position and balance sheet." *Unearned revenue* is not presented on either financial statement (p. 5, 7). *Unavailable revenue* related to *property taxes* is presented as a deferred inflow of resources of the balance sheet (p. 7) as described in the notes (p. 17). Considered whether the unearned revenue disclosure should be removed to avoid confusion for the reader.
3. The capital assets note (p. 21) reports the ending balances for non-depreciable and net depreciable capital assets as \$34,718,744 and \$53,942,086, respectively. The statement of net position (p. 5) reports the balances as \$31,621,695 and \$57,039,135, respectively. While the combined total of \$88,660,830 agrees between the financial statement and notes, consider which disaggregated amounts are correct for consistency.
4. The interfund transactions note (p. 22) should disclose the purpose for interfund *balances* reported on the governmental funds balance sheet (p. 7) (GASB Codification (June 30, 2012) §2300.126-.127).
5. The nonmajor governmental funds combining schedule of revenues, expenditures and changes in fund balances (p. 42-44) reports total intergovernmental-state and miscellaneous revenues as \$125,088 and \$972,790, respectively. The governmental funds statement (p. 9) reports these amounts as \$551,125 and \$546,753, respectively. Consider which amounts are correct as total columns of combining statements for nonmajor funds should agree with the appropriate aggregated column in the fund financial statements (GASB Codification (June 30, 2012) §2300.208).
5. Auditor comments (p. 77) report violations of Local Budget Law (ORS Chapter 294) in the preparation, adoption and execution of annual budgets.

Please notify us of the corrective measures the District plans to take with regard to the Local Budget Law violations. Please also notify us of the corrective measures the District plans to take with regard to our recommendations to address the deficiencies in meeting reporting standards.

We appreciate your efforts in fulfilling the reporting requirements of Municipal Audit Law. If you have any questions or concerns, please call me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION


Philip L. Hopkins, CPA
Audit Manager

cc: Pauly, Rogers, and Co., P.C.