

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3

MULTNOMAH COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017



MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

FINANCIAL REPORT
For the Year Ended June 30, 2017



12700 SW 72nd Ave.
Tigard, OR 97223

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

BOARD OF DIRECTORS AS OF JUNE 30, 2017

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Mary Lu Baetkey	Board Member, Position #1	June 30, 2021
Sara Kirby	Board Member, Position #2	June 30, 2019
Dave Carter	Board Member, Position #3	June 30, 2019
Sonja McKenzie	Board Member, Position #4	June 30, 2021
Erick Flores	Board Member, Position #5	June 30, 2021

Board Members receive mail at the District office address listed below.

ADMINISTRATION

Dr. Karen Fischer Gray, Superintendent
Sharie Lewis, CPA, Director of Business Services and Operations

10636 N.E. Prescott Street
Portland, Oregon 97220-2699

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1
 <u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Management's Discussion and Analysis	4a-4g
 <u>BASIC FINANCIAL STATEMENTS:</u>	
Government-Wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet – Governmental Funds	7
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	10
Notes to Basic Financial Statements	11
 <u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of the Proportionate Share of the Net Pension Liability	43
Schedule of Contributions	43
Schedule of Changes in Other Post-Employment Benefits (OPEB) Liability And Related Ratio Stipend Benefits	44
Schedules of Revenues, Expenditures, and Changes in Fund Balances Actual and Budget - Budgetary (Non-GAAP) Basis	
Major Funds:	
General Fund	46
Thompson Special Fund	47
Federal and State Grants Fund	48
 <u>SUPPLEMENTARY INFORMATION:</u>	
Schedules of Revenues, Expenditures, and Changes in Fund Balances Actual and Budget - Budgetary (Non-GAAP) Basis	
Major Funds:	
Debt Service Fund	49
Capital GO Bond Fund	50

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

TABLE OF CONTENTS (CONTINUED)

<u>SUPPLEMENTARY INFORMATION (CONTINUED):</u>	<u>PAGE</u>
Combining Balance Sheet – All Nonmajor Governmental Funds	51
Combining Balance Sheet – Special Revenue Nonmajor Governmental Funds	52
Combining Balance Sheet – Capital Projects Nonmajor Governmental Funds	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – All Nonmajor Governmental Funds	55
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Nonmajor Governmental Funds	56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Nonmajor Governmental Funds	58
Schedules of Revenues, Expenditures, and Changes in Fund Balances Actual and Budget – Budgetary (Non-GAAP) Basis:	
Nonmajor Funds:	
Tax Anticipation Note Fund	59
Food Service Fund	60
Private Grants Fund	61
Transportation Fund	62
Student Body Fund	63
Risk Management Fund	64
Technology Replacement Fund	65
Capital Equipment Fund	66
Capital Projects Fund	67
Capital Fleet Replacement Fund	68
PERS Stabilization Fund	69
Textbook Fund	70
Early Retirement Fund	71
Schedule of Property Tax Transactions and Balances of Taxes Uncollected:	
General Fund	72
Debt Service Fund	73
Schedule of Expenditures of Federal Awards	74
 <u>REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS</u>	
Independent Auditors' Report Required by Oregon State Regulations	76
<u>Grant Compliance Review:</u>	
Independent Auditors' Report on Internal Control Structure over Financial Reporting	78
Independent Auditors' Report on Compliance with Requirements Applicable to Major Programs and Internal Control Structure	80
Schedule of Findings and Questioned Costs	82



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

November 29, 2017

**To the Board of Directors
Multnomah County School District No. 3
Multnomah County, Oregon**

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Multnomah County School District No. 3, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Multnomah County School

District No. 3, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 77 - *Tax Abatement Disclosures* for the year ended June 30, 2017. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplemental 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 Management's Discussion and Analysis or Schedule of Funding Progress and Employer Contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the 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 not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal 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, as listed in the table of contents, and the schedule of federal 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 Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 29, 2017 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 29, 2017, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



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

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
(PARKROSE SCHOOL DISTRICT NO. 3)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

As management of Multnomah County School District No. 3 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets of the District exceeded its liabilities and deferred inflows at June 30, 2017 by \$19,268,848. Of this amount, \$34,782,893 represents the District's Net Investment in Capital Assets. The District has \$2,093,547 of net position restricted and expendable for debt service. The District's unassigned net position is (\$17,607,592).
- The District's governmental funds report combined ending fund balance of \$10,179,487, is a decrease of \$965,901 or 8.7% in comparison with the prior year. Of this total, \$5,472,539 or 53.8% is committed for future payments for services, \$3,792,112 or 37.3% is restricted by board resolution for various purposes, and \$914,836 or 9% is unassigned and available to spend at the discretion of the board of directors.
- The District's long-term debt decreased by \$1,824,011 or 3% during the 2016-17 fiscal year.
- District implemented three new Governmental Accounting Standard (GASB) Board Statements:
 - 1) GASB #73 – Accounting and Financial Reporting for Pensions and Related Assets that are not within scope of GASB 68 and amendments to certain provision of GASB 67 & 68 – see comments on pages 32-33.
 - 2) GASB # 75 - Accounting and Financial Reporting for Postemployment Benefits Other than – see comments on pages 33-35.
 - 3) GASB #77 – Tax Abatement Disclosures – see comments on pages 39-42.

OVERVIEW OF THE FINANCIAL STATEMENTS

This 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 basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements include:

The Statement of Net Position. The statement of net position presents information on all of the assets and liabilities of the District at year end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities. The statement of activities presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position.

All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period (e.g., uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District's activities are shown in one category:

Governmental Activities. Most of the District's basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, and facilities acquisition and construction. These activities are primarily financed through property taxes, Oregon's State School Fund, proceeds from the sale of long term general obligation bonds and other intergovernmental revenues.

The government-wide financial statements can be found on pages 5 and 6 of this report.

Fund Financial Statements: The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Multnomah County School District No. 3, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position.

The District maintains 18 individual governmental funds, five of which have been reported as major 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, Thompson Fund, Federal & State Grant Fund, Debt Service Fund, and Capital Projects G.O. Bond Fund.

The basic governmental fund financial statements can be found on pages 7 - 10 of this report.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 11 through 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS OF NET POSITION:

GOVERNMENT-WIDE FINANCIAL ANALYSIS Condensed Statement of Net Position						
	2016-17	Percentage of Total	2015-16	Percentage of Total	Change	Percentage of Change
Assets						
Current or other assets	\$ 14,707,367	13.8%	\$ 15,579,434	14.4%	\$ (872,067)	-5.6%
Net capital assets	91,980,317	86.2%	92,863,272	85.6%	(882,955)	-1.0%
Total Assets	106,687,684	100.0%	108,442,706	100.0%	(1,755,022)	-1.6%
Deferred Outflows of Resources						
Pension Related Deferral	22,533,598	100.0%	4,302,873	0.0%	18,230,725	423.7%
Total Deferred Outflows of Resources	22,533,598	100.0%	4,302,873	0.0%	18,230,725	423.7%
Liabilities						
Long-term liabilities outstanding	103,484,734	96.9%	81,839,584	96.1%	21,645,150	26.4%
Other liabilities	3,350,834	3.1%	3,339,138	3.9%	11,696	0.4%
Total Liabilities	106,835,568	100.0%	85,178,722	100.0%	21,656,846	25.4%
Deferred Inflows of Resources	3,116,866	100%	4,798,489	100%	(1,681,623)	-35.0%
Net Position						
Net investment in capital assets	34,782,893	181%	35,450,062	156%	(667,169)	-1.9%
Restricted	2,093,547	11%	2,065,787	9%	27,760	1.3%
Unrestricted	(17,607,592)	-91%	(14,747,481)	-65%	(2,860,111)	19.4%
Total Net Position	\$ 19,268,848	100%	\$ 22,768,368	100%	(3,499,520)	-15.4%

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred outflows by \$19,268,848 at June 30, 2017, a 15.4% or \$3,499,520 decrease from prior year. Some of the factors that affected the decline in net position are:

- 1) As stated in the financial highlights we implemented three new GASB's but only two have financial impact on the governmental-wide statements. The largest increase is PERS or GASB 67, 68 and 73 – in 2016-17 the Pension related deferral was \$4,302,873 but with the new actuarial report our asset increased to \$22,533,598 for a net increase of \$18,230,725 or 423.7%. However with the increase in assets we also have an increase to our liabilities (Net Pension Liability & Net Deferred Pension Asset) of \$21,616,863 or 92.3%.
- 2) The other GASB with a financial impact to Net Position was GASB 75 (Early Retirement Pension Liability and OPEB Pension Liability) – this increased our liabilities by \$2,663,362 or 100% because it was not effective during 2015-16.
- 3) The third reduction to Net Position was \$872,067 in cash and investment – this reduction is due to various items – bond cash reduction due to spending down the capital bond, debt cash reduced due to the bank failing to post our IRS rebate in a timely.
- 4) Fourth item causing the Net Position reduction is the \$882,955 reduction in capital assets. The district increased building & improvement and equipment by \$1,601,381 but our accumulated depreciation and deletions totaled \$2,484,336.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 86.2% or \$91,980,317 of total assets. The remaining assets consist mainly of investments, cash, inventories, and property taxes receivable.

The District's largest liability comes from the repayment of general obligation bonds & net pension liability it currently makes up 96.9% or \$103,484,734 of our liabilities. Current liabilities, representing about 3.1% or \$3,350,834 of the District's total liabilities, consist of payables on accounts, salaries, and benefits, and current interest of bonds.

The District's net position is largely invested in capital assets (e.g., land, buildings, vehicles and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to

provide services to students and other District residents; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities: A comparative analysis from the previous year's activity is provided below. During the current fiscal year, the District's net position decreased by \$3,499,520 or 15.4%. The revenues and expenses shown below explain changes in net position for the fiscal year 2016-17.

Revenues: Since the District's mission is to provide a free and appropriate public education for K-12 students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide 86.6% or \$37,868,974 of the funding required for governmental programs. Property taxes and State School Fund combined account for 97.9% of general fund revenues and 82.8% of total revenues.

Program revenue consists of operating grants and contributions and charges for services and they account for 13.4% or \$5,871,583 of total revenues. Included in this category is \$4,581,889 for federal grant with \$1,808,069 for the national school lunch program; Title IA, and School Improvement \$1,742,887 these three funding sources represent 77.5% or \$3,550,956 of the Districts federal funds. The remaining federally controlled grants totaled \$1,030,933 or 22.5%. For more details on what type of federal funds the district receives please go to pages 74-75. The remaining program revenue consists of \$749,133 or 12.7% for charges for services that is linked to services that District provides and fees that are assessed.

Expenses: Expenses related to governmental activities are presented in five broad functional categories. Costs of direct classroom instruction activities account for approximately 55.6% of the total expenses of \$47,391,678. In addition, approximately half of the costs in supporting services relate to students, instructional staff and school administration.

GOVERNMENT-WIDE FINANCIAL ANALYSIS – STATEMENT OF ACTIVITIES:

GOVERNMENT-WIDE FINANCIAL ANALYSIS Condensed Statement of Activities						
	<u>2016-17</u>	<u>% of total</u>	<u>2015-16</u>	<u>% of total</u>	<u>Change</u>	<u>% change</u>
Revenues						
Program Revenues						
Charges for services	\$ 749,133	1.7%	\$ 381,630	0.9%	\$ 367,503	96.3%
Operating grants & contributions	5,122,450	11.7%	4,935,355	11.8%	187,095	3.8%
Total Program Revenues	5,871,583	13.4%	5,316,985	12.7%	554,598	10.4%
General Revenues						
Property & other taxes	21,300,814	48.7%	19,723,027	47.2%	1,577,787	8.0%
State School Fund	14,467,755	33.1%	15,700,709	37.6%	(1,232,954)	-7.9%
Common School Fund	431,889	1.0%	414,758	1.0%	17,131	4.1%
Unrestricted Other Sources	1,150,145	2.6%	541,261	1.3%	608,884	112.5%
Investment earnings	207,048	0.5%	82,493	0.2%	124,555	151.0%
Gain on Sale of Assets	-	0.0%	2,383	0.0%	(2,383)	-100.0%
Other	311,323	0.7%	544	0.0%	310,779	57128.5%
Total General Revenues	37,868,974	86.6%	36,465,175	87.3%	1,403,799	3.8%
Total Revenues	43,740,557	100.0%	41,782,160	100.0%	1,958,397	4.7%
Expenses						
Instruction	26,366,558	55.6%	29,076,933	50.7%	(2,710,375)	-9.3%
Support services	15,593,725	32.9%	23,034,654	40.2%	(7,440,929)	-32.3%
Enterprise & community services	2,768,799	5.8%	3,193,200	5.6%	(424,401)	-13.3%
Interest & fees on long-term debt	2,662,596	5.6%	2,020,762	3.5%	641,834	31.8%
Total Expenses	47,391,678	100.0%	57,325,549	100.0%	(9,933,871)	-17.3%
Change in Net Position	(3,651,121)	-18.9%	(15,543,389)	-68.3%	11,892,268	-76.5%
Beginning Net Position	22,919,969	118.9%	38,311,757	168.3%	(15,391,788)	-40.2%
Net position - end of year	\$ 19,268,848	100.0%	\$ 22,768,368	100.0%	\$ (3,499,520)	-15.4%

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At June 30, 2017, the District's governmental funds reported combined ending fund balances of \$10,179,487 (exclusive of inventory), a decrease of \$965,901 or 8.7% in comparison with the prior year. About \$914,836 or 9% of the ending fund balance constitutes unassigned ending fund balance, which is available for spending at the direction of management. Additionally, \$3,792,112 or 37.3% constitutes restricted balances associated with debt service, food service, private donations and capital obligations. Then the remaining portion of the ending fund balance \$5,472,539 or 53.8% constitutes committed funds, which means the district has designated these funds for specific obligations such as PERS stabilization, textbook adoptions and retirement stipends.

General Fund: The General Fund is the chief operating fund of the District. As of June 30, 2017, ending fund balance was \$1,798,355 which is an increase of \$886,450 or 97.2% from prior year. This increase is due to reassigning fund balances associated with textbooks, retirement stipends and PERS stabilization back to the general fund to meet the obligations of GASB 54. The fund balances were moved out of the non-major funds or special revenue funds.

As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The current fund balance of \$1,798,355 or 5.4% of total General Fund's expenditures compared to 2.8% in the prior year. However keep in mind only \$914,832 or 2.7% is unassigned the remainder is committed.

Debt Service Fund: The Debt Service Fund has a total fund balance of \$1,114,700 all of which is reserved for the payment of debt service. The decrease in fund balance during the current year was \$261,954 or 19%. This reduction is the result of the bank failing to post our IRS rebate to our account in a timely basis. The estimated IRS rebate planned for June 2017 was \$361,000; with this cash we would then have an increase.

Capital Projects G.O. Bond Fund: The Capital Projects G.O. Bond Fund has a total fund balance of \$1,232,501. The net decrease in fund balance during the current year was \$890,464 or 41.9%. This fund has been developed because of the successful May 17, 2011 bond election. With the passing of Measure 26-123, a new middle school has been constructed on the existing site. Some small projects still remain on the funds remaining. Some of the remaining projects still open are: reader boards, roofing at two schools, arbitrage compliance and technology projects. Any funds not spent from these projects will be prioritized for other district projects that meet the requirements of the bond election language.

Thompson Special Fund: The Thompson Special Fund has a total fund balance of \$3,820,646. The decrease of \$34,356 or .9% is attributed to the District increased maintenance for our rental facilities but we also increase our revenue associated with rental units and community center. Total revenue for the year was \$624,865 while the expenses were \$659,222.

Federal and State Grant Fund: The Federal and State Grants Fund is new to major fund category for 2016-17. During 2015-16 the District had nine different funds they were using to code report grants under. Then in 2016-17 the District moved to one fund to report all Federal and State grants. In 2016-17 the total revenue for this fund is \$2,795,724 which is an increase \$296,144 or 11.8% over 2015-16 revenues. The typical nature of this fund is that there should not be a fund balance however at the end of 2015-16 two grants had a small fund balance of \$12,027 – these were timing issues and were resolved during 2016-17 which is why the fund currently does not have an existing fund balance as of 6/30/17.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund final budget was \$33,962,916 for the fiscal year ended June 30, 2017. The Board of Directors made two appropriation changes during the year for net reduction of \$149,348 or .4%. The first amendment in March 2017 increases the adopted budget by \$92,713. Within the amendment we increased local and other revenue by \$449,931 due to new grants and sale of fixed assets, and then we reduced intermediate and state sources by 405,123 with the majority associated with a reduction in State School Fund. The last part of the first adjustment was to increase to beginning fund balance of \$47,905. Then in June 2017 we reduced the working budget for the second time \$242,060. We increased local revenue by \$1,093,770 due to increased property taxes received and decreased our State School fund by the same amount. Then because our agreement with United Way – Preschool Promise – Shaver Elementary showed the funding source for the Shaver classroom to be federal funding all revenue and expenses were moved to the Federal/State Fund – Fund 215 reducing the amount by another \$242,060.

Parkrose is not alone, all school districts throughout the State will continue to struggle for adequate funding and ability to provide sufficient programs as long as the State implements programs and legislation changes without sufficient funding to implement.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. As of June 30, 2017, the District had invested \$91,980,317 in capital assets, net of depreciation.

During the year, the District's investment in capital assets decreased by \$882,955 or 1.0% (including depreciation). The major capital asset events for the year consisted of building improvements at various schools and building of the new middle school.

FINANCIAL ANALYSIS				
Capital Assets				
	2016-17	2015-16	change	% change
Land	\$ 5,880,941	\$ 5,880,941	\$ -	0.0%
Buildings and site improvements	108,474,398	107,755,174	719,224	0.7%
Vehicles and equipment	4,192,859	3,874,710	318,149	8.2%
Construction in progress	-	48,833	(48,833)	-100.0%
	118,548,198	117,559,658	988,540	0.8%
less accumulated depreciation	(26,567,881)	(24,696,386)	(1,871,495)	7.6%
Capital assets, net of depreciation	\$ 91,980,317	\$ 92,863,272	\$ (882,955)	-1.0%

Additional information of the District's capital assets can be found in note 7 on pages 22-23 of this report.

Long-term Debt: At the end of the current fiscal year, the District had total long term debt outstanding of \$58,895,989 consisting of general obligation debt net of unamortized premium/discount, a two Qualified Zone Academy Bonds (QZAB).

During the current fiscal year, the District's total debt decreased by \$1,824,011 or 3.0%.

FINANCIAL ANALYSIS						
Outstanding Debt						
	Original Amount	06/30/16 Balance	Additions	Matured and Redeemed	6/30/2017 Balance	Due Within One Year
GO Bonds						
Series 2011A	\$ 48,000,000	\$ 42,560,000	\$ -	\$ (1,515,000)	\$ 41,045,000	\$ 1,645,000
Series 2011B	15,000,000	15,000,000	-	-	15,000,000	-
Total GO Bond	63,000,000	57,560,000	-	(1,515,000)	56,045,000	1,645,000
Other Debt:						
QZAB 2009	2,000,000	1,000,000	-	(142,857)	857,143	142,857
QZAB 2015	2,160,000	2,160,000	-	(166,154)	1,993,846	166,154
Total other debt	4,160,000	3,160,000	-	(309,011)	2,850,989	309,011
Total long-term debt	\$ 67,160,000	\$ 60,720,000	\$ -	\$ (1,824,011)	\$ 58,895,989	\$ 1,954,011

Moody's Investors Services assigned an underlying rating of Aa3 to Multnomah County School District 3 (Parkrose), OR's General Obligation Bonds, Series 2011A (Tax-Exempt) and Series 2011B (Qualified Zone Academy Bonds). They have also assigned an enhanced rating of Aa1 to the bonds based on the Oregon School Bond Guaranty Program.

Additional information on the District's long-term debt can be found in note 9 on page 24 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor for the District is the State of Oregon's State School Fund. For the year ended June 30, 2017, the State School Fund & Common School Fund - General Support provided 34.1% of the District's program resources. Factors for next year's budget will be the estimate of State School Fund based on the March estimate. Currently the revenue forecasts continue to be flat but appear to be sufficient to support continued stabilization. Funding for schools will always be a topic of discussion at various state and local levels because Districts all across the state still are not back current service levels that were lost many years prior.

Salaries and benefits costs were increased for FY 2017-18 budgets due to negotiations settlements. All the respective unions in the District ratified their agreements and Administrators and OEA 1.0% COLA and OSEA .75% COLA and new step seven and removed 10 year longevity and all agreed upon 3.0% increase in health insurance benefits.

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 addressed to the District's Executive Director of Business Services and Operations at 10636 NE Prescott Street, Portland, OR 97220.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities
ASSETS	
Cash and Investments	\$ 12,071,756
Receivables:	
Accounts and Grants	1,281,264
Property Taxes	1,354,347
Non-Depreciable Capital Assets	5,880,941
Capital Assets, Net of Depreciation	<u>86,099,376</u>
Total Assets	<u>106,687,684</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Related Deferral	<u>22,533,598</u>
Total Deferred Outflows of Resources	<u>22,533,598</u>
LIABILITIES:	
Accounts Payable	1,005,971
Accrued Salaries and Benefits	2,226,759
Bond Interest Payable	76,841
Accrued Vacation Payable	41,263
Long Term Liabilities:	
Early Retirement Pension Liability	489,226
OPEB Pension Liability	2,174,136
Net Pension Liability	41,925,383
Due Within One Year	1,954,011
Due in More Than One Year	<u>56,941,978</u>
Total Liabilities	<u>106,835,568</u>
DEFERRED INFLOWS OF RESOURCES:	
Net Deferred Pension Asset	<u>3,116,866</u>
Total Deferred Inflows of Resources	<u>3,116,866</u>
NET POSITION:	
Net Investment in Capital Assets	34,782,893
Restricted for:	
Debt Service	1,177,657
Food Service	103,020
Special Revenue	92,433
Capital	720,437
Unrestricted	<u>(17,607,592)</u>
Total Net Position	<u>\$ 19,268,848</u>

See accompanying notes to the basic financial statements.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions/Programs	Expense	PROGRAM REVENUES		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 26,364,346	\$ 84,689	\$ 2,009,363	\$ (24,270,294)
Support Services	15,595,937	617,124	1,075,409	(13,903,403)
Enterprise and Community Services	2,768,799	47,320	2,037,678	(683,802)
Interest on Long-Term Debt	2,662,596	-	-	(2,662,596)
Total Governmental Activities	\$ 47,391,678	\$ 749,133	\$ 5,122,450	(41,520,094)
GENERAL REVENUES:				
Property Taxes				21,300,814
Unrestricted Other Sources				1,150,145
State School Fund - General Support				14,467,755
Common School Fund				431,889
Interest				207,048
Other				311,323
Total General Revenues				37,868,974
Change in Net Position				(3,651,121)
Beginning Net Position, Restated				22,919,969
Ending Net Postion				\$ 19,268,848

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	GENERAL FUND	THOMPSON SPECIAL FUND	FEDERAL AND GRANTS FUND	DEBT SERVICE FUND	CAPITAL GO BOND FUND	NON-MAJOR FUNDS	TOTAL
ASSETS:							
Cash and Investments	\$ 3,839,624	\$ 3,819,532	\$ -	\$ 1,082,207	\$ 1,232,501	\$ 2,097,892	\$ 12,071,756
Receivables:			-				
Taxes	1,108,607	-	-	245,740	-	-	1,354,347
Accounts and Grants	384,636	17,520	596,048	21,939	-	261,121	1,281,264
Due From Other Funds	590,371	-	-	-	-	-	590,371
Total Assets	\$ 5,923,238	\$ 3,837,052	\$ 596,048	\$ 1,349,886	\$ 1,232,501	\$ 2,359,013	\$ 15,297,738
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES:							
Liabilities							
Accounts Payable	\$ 838,160	\$ 16,406	\$ 5,677	\$ -	\$ -	\$ 145,728	\$ 1,005,971
Accrued Salaries and Benefits	2,226,759	-	-	-	-	-	2,226,759
Due To Other Funds	-	-	590,371	-	-	-	590,371
Total Liabilities	3,064,919	16,406	596,048	-	-	145,728	3,823,101
Deferred Inflows:							
Unavailable Revenue	1,059,964	-	-	235,186	-	-	1,295,150
Total Deferred Inflows	1,059,964	-	-	235,186	-	-	1,295,150
Fund Balances:							
Restricted for:			-				
Debt Service	-	-	-	1,114,700	-	62,957	1,177,657
Food Service	-	-	-	-	-	103,020	103,020
Private Grants	-	-	-	-	-	92,433	92,433
Capital	-	-	-	-	1,232,501	1,186,501	2,419,002
Committed	883,519	3,820,646	-	-	-	768,374	5,472,539
Unassigned	914,836	-	-	-	-	-	914,836
Total Fund Balances	1,798,355	3,820,646	-	1,114,700	1,232,501	2,213,285	10,179,487
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 5,923,238	\$ 3,837,052	\$ 596,048	\$ 1,349,886	\$ 1,232,501	\$ 2,359,013	\$ 15,297,738

See accompanying notes to the basic financial statements.

MULTNOMAH COUNTY SCHOOL DISTRICT NO.3
MULTNOMAH COUNTY, OREGON

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2017

TOTAL FUND BALANCE-GOVERNMENTAL FUNDS	\$	10,179,487
 Capital assets are not financial resources and therefore are not reported in the governmental funds.		
Cost	\$	118,548,198
Accumulated Depreciation		<u>(26,567,881)</u>
		91,980,317
 A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore are considered unavailable in the funds.		
		1,295,150
 The proportionate share of the net pension liability is not reported as an liability in the governmental funds		
		(41,925,383)
 Deferred Outflows of Resources - Pension Related Deferral		
		22,533,598
 The net deferred pension asset is not reported as a deferred inflow in the governmental funds		
		(3,116,866)
 Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
Long term Liabilities:		
Accrued Vacation Payable	\$	(41,263)
Bond Interest Payable		(76,841)
Early Retirement Pension Liability		(489,226)
OPEB Pension Liability		(2,174,136)
Bonds Payable		<u>(58,895,989)</u>
		<u>(61,677,455)</u>
 TOTAL NET POSITION	 \$	 <u><u>19,268,848</u></u>

See accompanying notes to the basic financial statements.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	GENERAL FUND	THOMPSON SPECIAL FUND	FEDERAL AND STATE GRANTS FUND	DEBT SERVICE FUND	CAPITAL GO BOND FUND	NON-MAJOR FUNDS	TOTAL
REVENUES:							
Local Sources:							
Property Taxes	\$ 17,660,388	\$ -	\$ -	\$ 3,557,057	\$ -	\$ -	\$ 21,217,445
Interest	140,168	-	-	18,887	34,713	13,280	207,048
Local Sources	257,731	624,869	16,817	-	-	1,154,502	2,053,919
Intermediate Sources	302,397	-	-	-	-	-	302,397
State Sources	14,900,469	-	5,581	-	-	37,374	14,943,424
Federal Sources	489	-	2,773,330	342,143	-	1,808,067	4,924,029
Total Revenues	33,261,642	624,869	2,795,728	3,918,087	34,713	3,013,223	43,648,262
EXPENDITURES:							
Current:							
Instruction	20,223,579	-	2,477,453	-	-	72,542	22,773,574
Support Services	12,343,030	561,015	290,412	-	-	180,456	13,374,913
Enterprise and Community Services	-	87,851	27,863	-	-	2,489,130	2,604,844
Facilities Acquisition and Construction	-	-	-	-	498,688	-	498,688
Capital Outlay	2,081	10,360	-	-	426,489	743,202	1,182,132
Debt Service:							
Principal	-	-	-	1,824,011	-	-	1,824,011
Interest	-	-	-	2,665,087	-	-	2,665,087
Total Expenditures	32,568,690	659,226	2,795,728	4,489,098	925,177	3,485,330	44,923,249
Excess of Revenues Over (Under) Expenditures	692,952	(34,357)	-	(571,011)	(890,464)	(472,107)	(1,274,987)
Other Financing Sources, (Uses):							
Sale of Capital Assets	8,926	-	-	-	-	-	8,926
Transfers In	-	-	-	309,057	-	-	309,057
Transfers Out	(142,857)	-	-	-	-	(166,200)	(309,057)
Total Other Financing Sources, -Uses	(133,931)	-	-	309,057	-	(166,200)	8,926
Net Change in Fund Balance	559,021	(34,357)	-	(261,954)	(890,464)	(638,307)	(1,266,061)
Beginning Fund Balance	1,239,334	3,855,003	-	1,376,654	2,122,965	2,851,592	11,445,548
Ending Fund Balance	\$ 1,798,355	\$ 3,820,646	\$ -	\$ 1,114,700	\$ 1,232,501	\$ 2,213,285	\$ 10,179,487

See accompanying notes to the basic financial statements.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
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, 2017

TOTAL NET CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS	\$	(1,266,061)
--	-----------	--------------------

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:

Additions to Capital Assets, Net	\$ 1,552,548		
Less Current Year Depreciation	<u>(2,435,503)</u>		(882,955)

Repayment of bond and principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position. Debt principal repaid.		1,824,011
--	--	-----------

The pension expense represents the change in net pension asset (liability) from year to year due to changes in total pension liability and the fair value of the pension plan net position available to pay pension benefits.		(3,386,138)
---	--	-------------

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.		2,491
--	--	-------

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.		83,369
---	--	--------

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes in liability balances.

Accrued Vacation Payable		(3,723)	
Early Retirement Pension Liability		27,558	
OPEB Pension Liability		<u>(49,673)</u>	

CHANGE IN NET POSITION	\$	<u><u>(3,651,121)</u></u>
-------------------------------	-----------	----------------------------------

See accompanying notes to the basic financial statements.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

Reporting Entity

Multnomah County School District No. 3 (the District) is a municipal corporation governed by an elected five member Board of Directors. Administration officials are approved by the Board. The daily functioning is under the supervision of the Superintendent. As required by Generally Accepted Accounting Principles in the United States of America, all activities except fiduciary activities have been included in the government-wide 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, there is not a financial benefit/burden and the District is not financially accountable for any of these entities, in accordance with GASB Statement #61 and therefore, none of them are considered component units and are not included in these basic financial statements.

Basis of Presentation

The government-wide financial statements, (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities. The effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase or use goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate combining financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Net position comprises the various net earnings from operations, governmental activities, program revenues, and general revenue. Net position is classified in the following three categories.

Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, net of accumulated depreciation.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

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.

Unrestricted net position – consists of all other net position that are not included in the other categories previously mentioned.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

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.

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 (“susceptible to accrual”). 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 are recorded only when payment is due. Property taxes associated with the current fiscal period, are considered to be susceptible to accrual, if received in cash or by 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.

Below are the following major governmental funds:

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.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (continued)

Thompson Special Fund

This Fund's main source of revenue is rental revenue and community use fees.

Federal and State Grants Fund

The Fund accounts for the District's federal and state grant revenue.

Debt Service Fund

The Fund accounts for the payment of principal and interest on debt obligation. The principal source of revenue is property taxes and transfers.

Capital GO Bond Fund

The Fund accounts for the bond issuance and capital related construction costs.

Non-Major Funds

These Funds are not considered major due to the volume of their activities. They are for specific educational projects and programs and the sources of revenue are typically grants, contributions, and charges for services.

Cash and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Fair Value Inputs and Methodologies and Hierarchy

Fair value per GASB #72 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

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

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

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments (Continued)

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.

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.

Supplies Inventories

School operating supplies, maintenance supplies, and food and other cafeteria supplies are stated at average invoice cost. Commodities purchased from the United States Department of Agriculture in the Food Service Fund are included in the inventories at USDA wholesale value. The inventory is accounted for based on the consumption method. Under the consumption method, inventory is recorded when purchased and expenditures/expenses are recorded when inventory items are used. Donated commodities consumed during the year are reported as revenues and expenditures. The Food Service Fund reports inventory and a corresponding reserve for inventory in the fund financial statement. The reserve for inventory is reported in addition to the fund’s equity on the balance sheet. At June 30, 2017 management reported no material inventories on hand.

Accounts and Other Receivables

Accounts and other receivables are comprised primarily of claims for reimbursement of costs under various federal, state and local grants. All are considered collectible by management, and therefore, there is no allowance for uncollectible accounts.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. 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.

Capital Assets

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

Buildings and Improvements	10 to 50 years
Vehicles and Equipment	5 to 30 years

Compensated Absences

It is 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. All vacation pay is accrued when incurred in the government-wide financial statements.

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 amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

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

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans

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

Use of Estimates

The preparation of 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 the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Fund Balance

In GASB Statement #54 the objective is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable represents amounts that are not in a spendable form, such as prepaids and inventory.
- Restricted 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 represents funds formally set aside by the governing body for a particular purpose. The uses of committed funds are approved by resolution.
- Assigned 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 has been granted to the Superintendent and the Business Manager.
- Unassigned 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.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

There are no nonspendable or assigned fund balances in the June 30, 2017 financials.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category which is the Pension Related Deferral.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The government has one type of item, which arises under full accrual accounting in the Statement of Net Position. The Statement of Net Position reports unavailable revenue from a Net Deferred Pension Asset resulting from pension plan actuarial valuations and contributions subsequent to the measurement date.

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 the Oregon Local Budget Law. The budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. 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. If the District does exceed ten percent then a public notice is necessary again prior to the board adopting the budget. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

Expenditure budgets are appropriated at the following levels for each fund:

LEVEL OF CONTROL

Instruction
Support Services
Enterprise and Community Services
Facilities Acquisition and Construction
Fund Transfers
Debt Service
Contingencies

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 which was not determined at the time the budget was adopted. At such time the budget appropriation levels need to be increased greater than ten percent, then a public notice of changes is necessary.

Budget amounts shown in the budgetary financial statements reflect the original adopted budget and the final amended budget. Amendments to the original budget amounts included supplemental appropriations.

Excess of Expenditures Over Appropriations

Expenditures of the various funds were within authorized appropriations, except as follows: General Fund – Instruction by \$461,502.

3. BUDGETARY BASIS OF ACCOUNTING

While the financial position, results of operations, and changes in fund balance/net position is reported on the basis of generally accepted accounting principles 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 required supplementary information and 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 is the classification of capital outlay, which for budgetary purposes is reported within the functional categories at the level of appropriation control, and depreciation expense, which is not reported at the fund level. On a GAAP basis, capital outlay is separately reported after current expenditures.

In addition, on the budgetary basis of accounting, inventory is accounted for on the purchases method. Under this method, inventory is expended as purchased and is not recorded as an asset on the balance sheet. On the GAAP basis fund financial statements, inventory has been recorded on the consumption method.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

Also, proceeds of long-term borrowing are recognized as “other financing source” revenue and principal paid is considered an expenditure when paid. OPEB costs are expensed when paid instead of when the liability is incurred.

4. 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 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 for its 1997-98 fiscal year, and thereafter. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the property tax limitations. The measure also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State of Oregon to minimize the impact of the tax cuts to the school districts. The ultimate impact as a result of this measure is not determinable at this time.

5. CASH AND INVESTMENTS

Cash and Investments (recorded at cost) consisted of:

Demand Deposits	\$	898,323
Petty Cash		447
Local Government Investment Pool		11,172,986
	\$	<u>12,071,756</u>

DEPOSITS - Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. For the fiscal year ended June 30, 2017, the bank balance was \$1,459,312, all of which was insured by Federal Depository Insurance or deposited in an approved depository for public funds and thus is collateralized under ORS 295.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure deposits will not be recovered. There is no formal deposit policy for custodial credit risk. As of June 30, 2017, all deposits are insured.

INVESTMENTS – 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 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 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.

At year-end, the investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 3</u>	<u>More than 3</u>
State Treasurer's Investment Pool	\$ 11,172,986	\$ 11,172,986	\$ -
Total	<u>\$ 11,172,986</u>	<u>\$ 11,172,986</u>	<u>\$ -</u>

Interest Rate Risk – Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond 3 months.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the value of the deposit will not be recovered. There is no formal investment policy for custodial credit risk. All of the investments are with the LGIP. Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. CASH AND INVESTMENTS (CONTINUED)

Concentration Risk

Concentration risk is the risk of loss due to a large portion of investments with a single issuer. To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the LGIP is invested in, which is not required to have a risk rating. State statutes do not limit the percentage of investments in this instrument. As of June 30, 2017 100% of the investments were in the State Treasurer's Investment Pool and the remaining with corporate securities and US Agencies.

6. RECEIVABLES

Receivables are comprised of the following:

	<u>Property Taxes</u>	<u>Accounts and Grants</u>
General Fund	\$ 1,108,607	\$ 384,636
Thompson Special Fund	-	17,520
Federal and State Grants Fund	-	596,048
Debt Service Fund	245,740	21,939
Non-Major Funds	-	261,121
	<u>\$ 1,354,347</u>	<u>\$ 1,281,264</u>

The receivables are considered fully collectible by management so no allowance for doubtful accounts has been made.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. CAPITAL ASSETS

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

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 5,880,941	\$ -	\$ -	\$ 5,880,941
Construction in Progress	48,833	-	(48,833)	-
Total Capital Assets Not Being Depreciated	<u>5,929,774</u>	<u>-</u>	<u>(48,833)</u>	<u>5,880,941</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	107,755,174	719,224	-	108,474,398
Vehicles and Equipment	<u>3,874,710</u>	<u>882,157</u>	<u>(564,008)</u>	<u>4,192,859</u>
Total Capital Assets Being Depreciated	<u>111,629,884</u>	<u>1,601,381</u>	<u>(564,008)</u>	<u>112,667,257</u>
Accumulated Depreciation:				
Buildings and Improvements	(22,816,581)	(2,209,164)	-	(25,025,745)
Vehicles and Equipment	<u>(1,879,805)</u>	<u>(226,339)</u>	<u>564,008</u>	<u>(1,542,136)</u>
Total Accumulated Depreciation	<u>(24,696,386)</u>	<u>(2,435,503)</u>	<u>564,008</u>	<u>(26,567,881)</u>
Total Capital Assets Being Depreciated, Net	<u>86,933,498</u>	<u>(834,122)</u>	<u>-</u>	<u>86,099,376</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 92,863,272</u>	<u>\$ (834,122)</u>	<u>\$ (48,833)</u>	<u>\$ 91,980,317</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

Instruction	\$ 1,431,366
Support Services	840,434
Community Services	<u>163,703</u>

Total Depreciation Expense-

Governmental Activities	<u><u>\$ 2,435,503</u></u>
-------------------------	----------------------------

8. INTERFUND TRANSACTIONS AND DUE TO / DUE FROM

Operating transfers between funds were made to fund the various programs and activities as follows:

	Operating Transfers In	Operating Transfers Out
Non-Major Funds	\$ -	\$ 166,200
Debt Service Fund	309,057	-
General Fund	<u>-</u>	<u>142,857</u>
	<u><u>\$ 309,057</u></u>	<u><u>\$ 309,057</u></u>

The internal transfers are budgeted and recorded to show legal and operational commitments between funds such as cost sharing.

	Due From	Due To
General Fund	\$ 590,371	\$ -
Federal and State Grants Fund	<u>-</u>	<u>590,371</u>
	<u><u>\$ 590,371</u></u>	<u><u>\$ 590,371</u></u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. LONG TERM DEBT

There are three general obligation bond issue approved by voters to finance various capital projects. In 2009 and 2015 Qualified Zone Academy Bond agreements were entered into to finance capital projects and capital equipment, at a zero percent interest rate for 15 and 13 years.

	QZAB Purchase Agreement	GO Bonds Series 2011A	GO Bonds Series 2011B	2015 QZAB Fleet Purchase	Total
Balance 7/1/16	\$ 1,000,000	\$ 42,560,000	\$ 15,000,000	\$ 2,160,000	\$ 60,720,000
Additions	-	-	-	-	-
Payments & Deletions	(142,857)	(1,515,000)	-	(166,154)	(1,824,011)
Balance 6/30/17	<u>\$ 857,143</u>	<u>\$ 41,045,000</u>	<u>\$ 15,000,000</u>	<u>\$ 1,993,846</u>	<u>\$ 58,895,989</u>

Amounts Payable
in Fiscal Year:

2017-18	\$ 142,857	\$ 1,645,000	\$ -	\$ 166,154	\$ 1,954,011
2018-19	142,857	1,770,000	-	166,154	2,079,011
2019-20	142,857	1,905,000	-	166,154	2,214,011
2020-21	142,857	2,055,000	-	166,154	2,364,011
2021-22	142,857	2,215,000	-	166,154	2,524,011
2022-27	142,858	1,035,000	-	830,769	2,008,627
2027-32	-	13,080,000	15,000,000	332,307	28,412,307
2032-37	-	17,340,000	-	-	17,340,000
Total	<u>\$ 857,143</u>	<u>\$ 41,045,000</u>	<u>\$ 15,000,000</u>	<u>\$ 1,993,846</u>	<u>\$ 58,895,989</u>

Changes in long term debt outstanding are as follows:

Issue Date	Interest Rates	Original Issue	Outstanding July 1, 2016	Additions	Matured And Redeemed	Outstanding June 30, 2017	Due Within One Year
May 29, 2009	0%	2,000,000	\$ 1,000,000	\$ -	\$ 142,857	\$ 857,143	\$ 142,857
August 11, 2011	2.0-5.0%	48,000,000	42,560,000	-	1,515,000	41,045,000	1,645,000
August 11, 2011	4.9%	15,000,000	15,000,000	-	-	15,000,000	-
December 19, 2015	0.0%	2,160,000	2,160,000	-	166,154	1,993,846	166,154
Total Long Term Debt			<u>\$ 60,720,000</u>	<u>\$ -</u>	<u>\$ 1,824,011</u>	<u>\$ 58,895,989</u>	<u>\$ 1,954,011</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

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

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

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

- ii) Death Benefits. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- iii) Disability Benefits. A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv) Benefit Changes After Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2017 were approximately \$3,334,315, excluding amounts to fund employer specific liabilities. In addition approximately \$1,012,939 in employee contributions were paid or picked up by the District in fiscal 2017.

At June 30, 2017, the District reported a liability of \$41,925,383 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At December 31, 2016, the District's proportion was .28 percent.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 1,387,075	\$ -
Changes in assumptions	8,941,677	-
Net difference between projected and actual earnings on pension plan investments	8,282,697	-
Changes in proportionate share	-	2,911,929
Differences between employer contributions and employer's proportionate share of system contributions	587,834	204,937
Total (prior to post-MD contributions)	19,199,283	3,116,866
Contributions subsequent to the MD	3,334,315	-
Net deferred outflow (inflow) of resources	<u>\$ 22,533,598</u>	<u>\$ 3,116,866</u>

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

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 2,712,985
2018	2,712,985
2019	5,777,113
2020	4,333,918
2021	545,416
Thereafter	-
Total	<u>\$ 16,082,417</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 8, 2017. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/PERS/Documents/Financial/CAFR/2016-CAFR.pdf>

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

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)

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

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

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)

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

Assumed Asset Allocation:

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

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

Long-Term Expected Rate of Return:

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

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-term Bonds	8.00%	3.70%
Intermediate-Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equity	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
<i>Assumed Inflation</i>		2.75%

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

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

	Decrease (6.5%)	Rate (7.5%)	Increase (8.5%)
District's proportionate share of the net pension liability	\$ 67,695,514	\$ 41,925,383	\$ 20,386,062

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)

Changes Subsequent to the Measurement Date

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

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

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

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

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. SINGLE EMPLOYER PENSION PLAN (GASB #73)

Plan Description: Multnomah County School District No. 3 provides a single employer defined benefit pension plan. To qualify, an employee must be an administrative or certificated employee, be 55 years old at retirement date, retire under PERS, and have 15 years of service if retiring as a licensed employee, 3 years if retiring as an administrator with the District. Currently, eighteen retirees meet the eligibility requirements. The amount of the health insurance obligation on behalf of retirees was \$66,673 and \$65,731 for the 2016-17 and 2015-16 fiscal years respectively. Total retirement stipend obligation for the fiscal years 2016-17 and 2015-16 were \$152,155 and \$110,577 respectively. Future obligations will be funded through annual appropriations.

Funding Policy: The benefits from this program are fully paid and, consequently, no contributions by employees are required. There is no obligation to fund these benefits in advance. The only obligation is to make current benefit payments due each fiscal year. Payments are made on a pay-as-you-go basis each year out of the General Fund.

Actuarial Methods and Assumptions: The District engaged an actuary to perform an evaluation as of June 30, 2016 using entry age normal, level percent of salary Actuarial Cost Method. The Single Employer Pension Plan liability was determined using the following actuarial assumptions, applied to all periods including the measurement:

Discount Rate per year		3.75%
General Inflation Rate per year		2.50%
Salary Scale per year		3.50%
Annual Medical Premium increase rate	2016-17	6.50%
Decreasing 0.1% per year until 2031-32	2031+	5.00%

Mortality rates were based on the RP=2000 Active/Healthy Annuitant Mortality Table for males and females, as appropriate, set back 24 months and were calculated by adjusting the rates 60% for male participants and 55% for female participants.

Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service.

Disability rates were based on the percentages developed for the valuation benefits under Oregon PERS and vary by employee age.

Retirement rates were calculated based on age and years of service with the assumption that 60% are to remain enrolled and 50% of retirees electing coverage will cover a spouse as well.

The projection of benefits for financial reporting purpose does not explicitly incorporate the potential effects of legal or contractual funding limitations.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. SINGLE EMPLOYER PENSION PLAN (GASB #73) (CONTINUED)

Changes in Single Employer Pension Plan Benefits Liability:

Balance at June 30, 2016	\$	516,784
Changes for the Year:		
Service Cost		24,188
Interest		18,516
Changes of Benefit Terms		-
Differences Between Expected and Actual Experience		-
Changes of Assumptions or Other Input		-
Benefit Payments		(70,262)
Net Changes for the Year		(27,558)
Total Pension Liability at June 30, 2017	\$	489,226

Sensitivity of the Single Employer Pension Plan Benefit Liability to Changes in Discount Rates: The following presents the Single Employer Pension Plan Benefit Liability, calculated using the discount rate of 3.75 percent, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

June 30, 2017	1% Decrease 2.75% Discount Rate	Current Rate 3.75% Discount Rate	1% Increase 4.75% Discount Rate
Total Pension Liability	\$ 523,856	\$ 489,226	\$ 456,827

12. OTHER POST-EMPLOYMENT BENEFITS (GASB #75)

Plan Description: The District operates a single-employer retiree benefit plan that provides postemployment health, dental and vision insurance benefits to eligible employees and their spouses. There are active and retired members in the plan. All classes of employee are eligible to continue coverage upon retirement. Qualified spouses, domestic partners, and children may qualify for coverage. Coverage for retirees and eligible dependents continues until Medicare eligibility for each individual (or until dependent children become ineligible).

Benefits and eligibility for members are established through the collective bargaining agreements. The post-retirement healthcare plan is established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution. The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

12. OTHER POST-EMPLOYMENT BENEFITS (GASB #75) (CONTINUED)

Funding Policy: The benefits from this program are paid by the District on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is not obligation on the part of the District to fund these benefits in advance.

Actuarial Methods and Assumptions: The District engaged an actuary to perform an evaluation as of June 30, 2016 using entry age normal, level percent of salary Actuarial Cost Method. The Single Employer Pension Plan liability was determined using the following actuarial assumptions, applied to all periods including the measurement:

Discount Rate per year		3.75%
General Inflation Rate per year		2.50%
Salary Scale per year		3.50%
Annual Medical Premium increase rate	2016-17	6.50%
Decreasing 0.1% per year until 2031-32	2031+	5.00%

Mortality rates were based on the RP=2000 Active/Healthy Annuitant Mortality Table for males and females, as appropriate, set back 24 months and were calculated by adjusting the rates 60% for male participants and 55% for female participants.

Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service.

Disability rates were based on the percentages developed for the valuation benefits under Oregon PERS and vary by employee age.

Retirement rates were calculated based on age and years of service with the assumption that 60% are to remain enrolled and 50% of retirees electing coverage will cover a spouse as well.

The projection of benefits for financial reporting purpose does not explicitly incorporate the potential effects of legal or contractual funding limitations.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

12. OTHER POST-EMPLOYMENT BENEFITS (GASB #75) (CONTINUED)

Changes in Medical Benefit OPEB Liability:

Balance at June 30, 2016	\$	2,124,463
Changes for the Year:		
Service Cost		115,333
Interest		79,115
Changes of Benefit Terms		-
Differences Between Expected and Actual Experience		-
Changes of Assumptions or Other Input		-
Benefit Payments		<u>(144,775)</u>
Net Changes for the Year		49,673
Total OPEB Liability at June 30, 2017	\$	<u><u>2,174,136</u></u>

Sensitivity of the Net Other Post-Employment Benefit Liability to Changes in Discount and Trend Rates: The following presents the net other post-employment benefit liability (NOL), calculated using the discount rate of 3.75 percent, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

June 30, 2017	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total OPEB Liability	\$ 2,342,153	\$ 2,174,136	\$ 2,019,534

The following presents the net other post-employment benefit liability (NOL), calculated using trend rate of 6.5 percent graded down to 5.0 percent, as well as what the liability would be if it was calculated using a trend rate 1-percentage-point lower (5.5 percent graded down to 4.0 percent) or 1-percentage-point higher (7.5 percent graded down to 6.0 percent) than the current rate:

June 30, 2017	1% Decrease 5.50% Graded Down to 4.00%	Current Trend Rate 6.50% Graded Down to 5.00%	1% Increase 7.50% Graded Down to 6.00%
Total OPEB Liability	\$ 1,951,371	\$ 2,174,136	\$ 2,437,555

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

13. 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 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 for its 1997-98 fiscal year, and thereafter. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the property tax limitations. The measure also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State of Oregon to minimize the impact of the tax cuts to the school districts. The ultimate impact as a result of this measure is not determinable at this time.

2016-17 Current Tax Limits Imposed

Permanent Rate	\$4.8906 / \$1,000
Bonded Debt Amount	\$3,665,320

14. 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 the 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 statewide 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 increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the operations cannot be determined.

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 any of the past three fiscal years.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

16. 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 teacher, to all K-5 students within the District. Receipts and expenditures for the years ended June 30, 2017 and 2016 are as follows:

	<u>FY 2016/17</u>	<u>FY 2015/16</u>
Revenues	\$ 300,978	\$ 311,942
Expenditures	<u>290,373</u>	<u>279,830</u>
Variance	10,605	32,112
FTE Funded	3	3
Number of Schools Funded	3	3

The District's general fund is responsible for any variance needed to maintain these positions.

17. RESTATEMENT OF NET POSITION

The District implemented GASB #73, what was previously GASB #27, for Single Employer Pension Plans and implemented GASB #75, Formerly GASB #45, for Other Post-Employment Benefits (OPEB) which resulted in a restatement of beginning net position for 2016-17. Additionally, the District moved their Student Body Funds from a fiduciary fund to a special revenue fund which also resulted in a restatement of beginning net position.

2016 Ending Net Position	\$ 22,768,368
Restatement GASB 73	202
Restatement GASB 75	(148,760)
Fund Type Change (Student Body Funds)	300,159
2016 -17 Ending Net Position Restated	<u><u>\$ 22,919,969</u></u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

18. GASB STATEMENT #54 - FUND BALANCES

Fund balances by classification for the year ended June 30, 2017 are as follows:

	<u>General Fund</u>	<u>Thompson Special Fund</u>	<u>Debt Service Fund</u>	<u>Capital GO Bond Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Fund Balances:						
<u>Restricted:</u>						
Debt Service	\$ -	\$ -	\$ 1,114,700	\$ -	\$ 62,957	\$ 1,177,657
Food Service	-	-	-	-	103,020	103,020
Special Revenue	-	-	-	-	92,433	92,433
Capital	-	-	-	1,232,501	1,186,501	2,419,002
Total Restricted	-	-	1,114,700	1,232,501	1,444,911	3,792,112
<u>Committed:</u>						
Transportation	-	-	-	-	63,086	63,086
Student Body	-	-	-	-	290,364	290,364
Risk Management	-	-	-	-	218,243	218,243
Special Revenue	-	3,820,646	-	-	-	3,820,646
Technology						
Replacement	-	-	-	-	61,114	61,114
Textbook	259,348	-	-	-	-	259,348
Early Retirement	124,171	-	-	-	-	124,171
PERS	500,000	-	-	-	-	500,000
Capital Equipment	-	-	-	-	135,567	135,567
Total Committed	883,519	3,820,646	-	-	768,374	5,472,539
<u>Unassigned:</u>						
General	914,836	-	-	-	-	914,836
Total Unassigned	914,836	-	-	-	-	914,836
Total Fund Balances	<u>\$ 1,798,355</u>	<u>\$ 3,820,646</u>	<u>\$ 1,114,700</u>	<u>\$ 1,232,501</u>	<u>\$ 2,213,285</u>	<u>\$ 10,179,487</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

19. TAX ABATEMENTS (GASB #77)

As of June 30, 2017, the Multnomah County School District No. 3 had tax abatements through 6 programs: Enterprise Zone, Not-For-Profit Low Income Rental Housing, Homebuyer Opportunity Limited Tax Exemption, Renewable Energy and Related Incentives, Industrial Apprenticeship or Training Trust, and Day Care Centers, Student Housing and Religious Schools, all of which impacted their levied taxes.

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.

Not-for-Profit Low Income Rental Housing (ORS 307.540 to 307.548):

- In 1985, Oregon legislature authorized a property tax exemption for low-income housing held by charitable, nonprofit organizations. The tax exemption is intended to benefit low-income renters by alleviating property tax burden on those agencies that provide this housing opportunity. The qualifying property must be located within the County.

Charitable, nonprofit organizations that provide housing to low-income persons are eligible. Organizations must be certified by the Internal Revenue Service as 501(c)(3) or (4). Organizations must own or have a leasehold interest in the property or participate in a partnership as long as the non-profit organization is responsible for the day-to-day management of the property. Applicants who are leaseholders must have a signed leasehold agreement by the application deadline.

Vacant land intended to be developed as low-income housing is also eligible for the exemption.

The property tax exemption applies only to the tax levy of a governing body that adopts the provisions of ORS 307.540 to 307.548

Homebuyer Opportunity Limited Tax Exemption (ORS 307.651 to 307.687):

- The Homebuyer Opportunity Limited Tax Exemption program exempts the residential improvement value from real property taxation for a 10-year period, while the land remains taxable. At the end of the 10-year exemption period, the taxes due will reflect the full assessed value of the property. Homes approved for the HOLTE program must sell for less than the annually established price cap to homebuyers who will live in the homes and meet program income requirements. There is a 100-unit cap on the number of new applications approved each year, although the cap does not apply to applications for properties including long-term affordability covenants.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

19. TAX ABATEMENTS (GASB #77) (CONTINUED)

Renewable Energy and Related Incentives (ORS 307.175):

- A three to five year exemption from property taxes on new investments in solar energy farms, geothermal power generation, biofuel production facilities and other eligible projects in a designed County. Pursuant to executing an agreement with the County, any solar project may be exempt for up to 20 years, contingent on annual payments to the County of a fee equal to \$7,000 per megawatt of the project's nameplate capacity, and provided that the project is or was not subject to any other exemption.

State Energy Loan Program (SELP) is for renewable energy, including manufacturing facilities. Loans range from 5 to 20 years and \$20,000 to \$20 million, depending on the borrower's need and financial situation. The Oregon Department of Energy finances these low-interest loans with authority to issue state general obligation bonds.

Alternative Energy Systems (ORS 307.175) exempts the additional taxable value of equipping a property with net metering or with alternative systems for onsite electricity or climate control as compared to a conventional system until 2023.

Industrial Apprenticeship or Training Trust (ORS 307.580):

- All real and personal property or proportion thereof owned or being purchased by an industry apprenticeship or training trust is exempt from property taxation if:
 - (a) The trust is organized pursuant to a trust instrument solely for the purpose of aiding or assisting in the implementation or operation of one or more apprenticeship or training programs that conform to and are conducted under ORS 660.002 to 660.210;
 - (b) The property or proportion thereof that is the subject of the exemption is actually and exclusively occupied and used in the implementation or operation of an apprenticeship or training program or programs that are established under, conform to and are conducted under ORS 660.002 to 660.210; and
 - (c) The trust is considered an organization exempt from federal income taxes under the federal Internal Revenue Code or other laws of the United States relating to federal income taxes.

(2) If property described under subsection (1) of this section would be exempt from taxation except that it is held under lease or lease-purchase agreement by the trust rather than owned or being purchased by it, the property shall be exempt from taxation upon compliance with and subject to ORS 307.112.

(3) No exemption shall be allowed under subsection (1) or (2) of this section if the property is used in the implementation or operation of an apprenticeship or training program that discriminates with respect to its participants on the basis of age, race, religion, sex or national origin.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

19. TAX ABATEMENTS (GASB #77) (CONTINUED)

Day Care Centers, Student Housing and Religious Schools (ORS 307.145):

- The child care facilities, schools, academies and student housing accommodations, owned or being purchased by incorporated eleemosynary institutions or by incorporated religious organizations, used exclusively by such institutions or organizations for or in immediate connection with educational purposes, are exempt from taxation.
 - (2) Property described in subsection (1) of this section which is exclusively for or in the immediate connection with educational purposes shall continue to be exempt when leased to a political subdivision of the State of Oregon, or to another incorporated eleemosynary institution or incorporated religious organization for an amount not to exceed the cost of repairs, maintenance and upkeep.
 - (3)(a) As used in this section, “child care facility” means a child care center certified by the Office of Child Care under ORS 329A.280 to provide educational child care.
 - (b) Before an exemption for a child care facility is allowed under this section, in addition to any other information required under ORS 307.162, the statement shall:
 - (A) Describe the property and declare or be accompanied by proof that the corporation is an eleemosynary institution or religious organization.
 - (B) Declare or be accompanied by proof that the office has issued the child care facility a certification to provide educational child care.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

19. TAX ABATEMENTS (GASB #77) (CONTINUED)

For the fiscal year ended June 30, 2017, Multnomah County School District No. 3 had abated property taxes totaling \$161,632 under these programs.

<u>Tax Abatement Program</u>	<u>Fiscal Year</u>	<u>Percentage of Total</u>
Enterprise Zone	\$ 109,621	68%
Not-for-Profit Low Income Rental Housing	8,167	5%
Homebuyer Opportunity Limited Tax Exemption	3,595	2%
Renewable Energy and Related Incentives	2,243	1%
Industrial Apprenticeship or Training Trust	8,647	5%
Day Care Centers, Student Housing and Religious Schools	29,359	18%
Total	<u>\$ 161,632</u>	<u>100%</u>

REQUIRED SUPPLEMENTAL INFORMATION

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

For the fiscal year ended June 30, 2017

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) Entity's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.28 %	\$ 41,925,383	\$ 17,832,119	235.1 %	80.5 %
2016	0.32	18,626,897	17,422,657	106.9	91.9
2015	0.36	(8,175,753)	16,231,106	(50.4)	103.6
2014	0.36	18,406,404	16,303,974	112.9	92.0

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

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

	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
2017	\$ 3,334,315	\$ 3,334,315	\$ -	\$ 18,320,426	18.2 %
2016	3,298,416	3,298,416	-	17,832,119	18.5
2015	3,569,537	3,569,537	-	17,422,657	20.5
2014	3,362,302	3,362,302	-	16,231,106	20.7

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

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. 3
MULTNOMAH COUNTY, OREGON

**SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY
AND RELATED RATIOS STIPEND BENEFITS
For the Year Ended June 30, 2017**

Total Pension Liability at June 30, 2016	\$	516,784
Changes for the year:		
Service Cost	24,188	
Interest	18,516	
Changes of Benefit Terms	-	
Differences Between Expected and Actual Experience	-	
Changes of Assumptions or Other Input	-	
Benefit Payments	<u>(70,262)</u>	
Net Changes for the Year		(27,558)
Total Pension Liability at June 30, 2017	\$	<u>489,226</u>
Covered Payroll		12,938,836
Net Single Employer Pension Plan as a Percentage of Covered Payroll		3.78%

Note: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full year trend has been compiled, information is presented for the years for which the required supplementary schedule information is available. The District implemented GASB 73 and GASB 75 in the fiscal year ending June 30, 2017.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

**SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY
AND RELATED RATIOS STIPEND BENEFITS
For the Year Ended June 30, 2017**

Total OPEB Liability at June 30, 2016	\$	2,124,463
Changes for the year:		
Service Cost	115,333	
Interest	79,115	
Changes of Benefit Terms	-	
Differences Between Expected and Actual Experience	-	
Changes of Assumptions or Other Input	-	
Benefit Payments	<u>(144,775)</u>	
Net Changes for the Year		49,673
Total OPEB Liability at June 30, 2017	\$	<u>2,174,136</u>
Covered Payroll		17,802,916
Net Single Employer Pension Plan as a Percentage of Covered Payroll		12.21%

Note: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full year trend has been compiled, information is presented for the years for which the required supplementary schedule information is available. The District implemented GASB 73 and GASB 75 in the fiscal year ending June 30, 2017.

MULTNOMAH COUNTY SCHOOL DISTRICT # 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

<u>General Fund</u>				
	BUDGET			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET
REVENUES:				
Local Sources:				
Property Taxes	\$ 15,300,000	\$ 17,119,770	\$ 17,660,388	\$ 540,618
Interest	45,760	65,733	140,168	74,435
Local Sources	524,035	220,558	244,093	23,535
Intermediate Sources:	328,000	305,611	302,397	(3,214)
State Sources:	17,050,468	15,331,904	14,900,469	(431,435)
Federal Sources:	-	-	489	489
Total Revenues	<u>33,248,263</u>	<u>33,043,576</u>	<u>33,248,004</u>	<u>204,428</u>
EXPENDITURES:				
Instruction:				
Salaries	11,626,126	10,933,834	10,743,274	190,560
Employee Benefits	6,623,828	6,400,640	6,484,943	(84,303)
Purchased Services	1,788,852	1,939,091	2,569,306	(630,215)
Supplies and Materials	216,105	308,858	236,128	72,730
Capital Outlay	2,500	2,500	2,081	419
Other Objects	2,000	8,500	19,193	(10,693)
Total Instruction	<u>20,259,411</u>	<u>19,593,423 (1)</u>	<u>20,054,925</u>	<u>(461,502)</u>
Support Services:				
Salaries	5,868,900	5,580,159	5,428,833	151,326
Employee Benefits	3,753,879	3,485,189	3,426,139	59,050
Purchased Services	2,231,699	2,789,941	2,664,343	125,598
Supplies and Materials	496,662	577,492	404,128	173,364
Other Objects	484,900	484,900	323,819	161,081
Total Support Services	<u>12,836,040</u>	<u>12,917,681 (1)</u>	<u>12,247,262</u>	<u>670,419</u>
Contingency	<u>250,000</u>	<u>250,000 (1)</u>	<u>-</u>	<u>250,000</u>
Total Expenditures	<u>33,345,451</u>	<u>32,761,104</u>	<u>32,302,187</u>	<u>458,917</u>
Excess of Revenues Over (Under) Expenditures	(97,188)	282,472	945,817	663,345
Other Financing Sources, (Uses):				
Sale of Capital Assets	-	7,435	8,926	1,491
Transfers Out	(516,812)	(951,812) (1)	(951,812)	-
Total Other Financing Sources, (Uses)	<u>(516,812)</u>	<u>(944,377)</u>	<u>(942,886)</u>	<u>1,491</u>
Net Change in Fund Balance	(614,000)	(661,905)	2,931	664,836
Beginning Fund Balance	<u>864,000</u>	<u>911,905</u>	<u>911,905</u>	<u>-</u>
Ending Fund Balance	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>914,836</u>	<u>\$ 664,836</u>

RECONCILIATION TO GAAP FUND BALANCE

	PERS Stabilization Fund	500,000
	Textbook Fund	259,348
	Early Retirement Fund	124,171
(1) Appropriation Level	General Fund Ending Fund Balance	<u>\$ 1,798,355</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

<u>Thompson Special Fund</u>				
	BUDGET			VARIANCE TO
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET
REVENUES:				
Local Sources	\$ 602,076	\$ 602,075	\$ 624,869	\$ 22,794
Total Revenues	602,076	602,075	624,869	22,794
EXPENDITURES:				
Support Services:				
Salaries	122,241	138,231	93,403	44,828
Employee Benefits	47,658	32,946	33,979	(1,033)
Purchased Services	639,306	913,030	300,232	612,798
Supplies and Materials	150,000	265,000	80,847	184,153
Capital Outlay	-	65,000	10,360	54,640
Other Objects	31,680	31,680	52,554	(20,874)
Total Support Services	990,885	1,445,887 (1)	571,375	874,512
Enterprise and Community Service:				
Salaries	86,480	81,973	72,552	9,421
Employee Benefits	26,303	20,030	15,299	4,731
Purchased Services	2,280	13,060	-	13,060
Supplies and Materials	911	911	-	911
Other Objects	4,500	4,500	-	4,500
Total Enterprise and Community Service	120,474	120,474 (1)	87,851	32,623
Contingency	200,000	200,000 (1)	-	200,000
Total Expenditures	1,311,359	1,766,361	659,226	1,107,135
Net Change in Fund Balance	(709,283)	(1,164,286)	(34,357)	1,129,929
Beginning Fund Balance	3,400,000	3,855,003	3,855,003	-
Ending Fund Balance	\$ 2,690,717	\$ 2,690,717	\$ 3,820,646	\$ 1,129,929

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

<u>Federal and State Grants Fund</u>				
	<u>BUDGET</u>			<u>VARIANCE TO</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FINAL BUDGET</u>
REVENUES:				
Local Sources	\$ 50,000	\$ 34,349	\$ 16,817	\$ (17,532)
State Sources	-	15,300	5,581	(9,719)
Federal Sources	2,670,115	2,985,030	2,773,330	(211,700)
Total Revenues	2,720,115	3,034,679	2,795,728	(238,951)
EXPENDITURES:				
Instruction:				
Salaries	1,178,298	1,457,771	1,337,155	120,616
Employee Benefits	657,596	819,590	797,455	22,135
Purchased Services	159,292	163,496	159,418	4,078
Materials and Services	319,338	189,928	128,850	61,078
Other Objects	47,745	34,631	54,575	(19,944)
Total Instruction	2,362,269	2,665,416 (1)	2,477,453	187,963
Support Services:				
Salaries	95,485	81,236	113,221	(31,985)
Employee Benefits	43,994	47,417	37,156	10,261
Purchased Services	50,285	109,823	93,792	16,031
Materials and Services	106,426	55,722	15,939	39,783
Other Objects	29,343	35,874	30,304	5,570
Total Support Services	325,533	330,072 (1)	290,412	39,660
Enterprise and Community Services:				
Salaries	-	-	256	(256)
Employee Benefits	-	-	87	(87)
Purchased Services	3,020	19,020	15,453	3,567
Materials and Services	16,293	7,171	4,932	2,239
Other Objects	13,000	13,000	7,135	5,865
Total Enterprise and Community Service	32,313	39,191 (1)	27,863	11,328
Total Expenditures	2,720,115	3,034,679	2,795,728	238,951
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

SUPPLEMENTARY INFORMATION

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET -BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

	<u>Debt Service Fund</u>			
	BUDGET			VARIANCE TO
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Property Taxes	\$ 3,754,411	\$ 3,754,411	\$ 3,557,057	\$ (197,354)
Interest	10,000	10,000	18,887	8,887
Federal Sources	661,500	661,500	342,143	(319,357)
Total Revenues	4,425,911	4,425,911	3,918,087	(507,824)
EXPENDITURES:				
Debt Service:				
Principal	1,824,011	1,824,011	1,824,011	-
Interest	2,665,400	2,665,400	2,665,087	313
Total Debt Service	4,489,411	4,489,411 (1)	4,489,098	313
Contingency	245,557	245,557 (1)	-	245,557
Total Expenditures	4,734,968	4,734,968	4,489,098	245,870
Excess of Revenues Over (Under) Expenditures	(309,057)	(309,057)	(571,011)	(261,954)
Other Financing Sources, (Uses):				
Transfers In	309,057	309,057	309,057	-
Total Other Financing Sources, (Uses)	309,057	309,057	309,057	-
Net Change in Fund Balance	-	-	(261,954)	(261,954)
Beginning Fund Balance	907,308	1,376,653	1,376,654	1
Ending Fund Balance	<u>\$ 907,308</u>	<u>\$ 1,376,653</u>	<u>\$ 1,114,700</u>	<u>\$ (261,953)</u>

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

Capital GO Bond Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources:				
Interest	\$ 20,000	\$ 20,000	\$ 34,713	\$ 14,713
Total Revenues	20,000	20,000	34,713	14,713
EXPENDITURES:				
Facilities Acquisition and Construction:				
Purchased Services	472,829	391,463	42,124	349,339
Materials and Services	250,500	250,500	456,140	(205,640)
Capital Outlay	1,461,001	1,461,001	426,489	1,034,512
Other Objects	-	-	424	(424)
Total Facilities Acquisition and Construction	2,184,330	2,102,964 (1)	925,177	1,177,787
Debt Service	40,000	40,000 (1)	-	40,000
Total Expenditures	2,224,330	2,142,964	925,177	1,217,787
Net Change in Fund Balance	(2,204,330)	(2,122,964)	(890,464)	1,232,500
Beginning Fund Balance	2,204,330	2,122,964	2,122,965	1
Ending Fund Balance	\$ -	\$ -	\$ 1,232,501	\$ 1,232,501

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	COMBINED NONMAJOR SPECIAL REVENUE FUNDS	COMBINED NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS:			
Cash and Investments	\$ 790,173	\$ 1,307,719	\$ 2,097,892
Accounts and Grants Receivable	246,772	14,349	261,121
Total Assets	<u>\$ 1,036,945</u>	<u>\$ 1,322,068</u>	<u>\$ 2,359,013</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 145,728	\$ -	\$ 145,728
Total Liabilities	<u>145,728</u>	<u>-</u>	<u>145,728</u>
Fund Balances:			
Restricted	258,410	1,186,501	1,444,911
Committed	632,807	135,567	768,374
Total Fund Balances	<u>891,217</u>	<u>1,322,068</u>	<u>2,213,285</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,036,945</u></u>	<u><u>\$ 1,322,068</u></u>	<u><u>\$ 2,359,013</u></u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

COMBINING BALANCE SHEET
SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	TAX ANTICIPATION NOTE FUND	FOOD SERVICE FUND	PRIVATE GRANTS FUND	TRANS- PORTATION FUND
ASSETS:				
Cash and Investments	\$ 62,957	\$ 36,141	\$ 65,671	\$ 63,086
Accounts and Grants Receivable	-	173,482	65,343	-
Total Assets	<u>\$ 62,957</u>	<u>\$ 209,623</u>	<u>\$ 131,014</u>	<u>\$ 63,086</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ -	\$ 106,603	\$ 38,581	\$ -
Total Liabilities	<u>-</u>	<u>106,603</u>	<u>38,581</u>	<u>-</u>
Fund Balances:				
Restricted	62,957	103,020	92,433	-
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,086</u>
Total Fund Balances	<u>62,957</u>	<u>103,020</u>	<u>92,433</u>	<u>63,086</u>
Total Liabilities and Fund Balances	<u><u>\$ 62,957</u></u>	<u><u>\$ 209,623</u></u>	<u><u>\$ 131,014</u></u>	<u><u>\$ 63,086</u></u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

COMBINING BALANCE SHEET
SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

STUDENT BODY FUND	RISK MANAGEMENT FUND	TECHNOLOGY REPLACEMENT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ 290,364	\$ 218,787	\$ 53,167	\$ 790,173
-	-	7,947	246,772
\$ 290,364	\$ 218,787	\$ 61,114	\$ 1,036,945
\$ -	\$ 544	\$ -	\$ 145,728
-	544	-	145,728
-	-	-	258,410
290,364	218,243	61,114	632,807
290,364	218,243	61,114	891,217
\$ 290,364	\$ 218,787	\$ 61,114	\$ 1,036,945

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

COMBINING BALANCE SHEET
CAPITAL PROJECTS NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	CAPITAL EQUIPMENT FUND	CAPITAL PROJECTS FUND	CAPITAL FLEET REPLACEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
ASSETS:				
Cash and Investments	\$ 135,567	\$ 706,088	\$ 466,064	\$ 1,307,719
Accounts and Grants Receivable	-	14,349	-	14,349
Total Assets	<u>\$ 135,567</u>	<u>\$ 720,437</u>	<u>\$ 466,064</u>	<u>\$ 1,322,068</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Due To Other Funds	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	-	720,437	466,064	1,186,501
Committed	<u>135,567</u>	<u>-</u>	<u>-</u>	<u>135,567</u>
Total Fund Balances	<u>135,567</u>	<u>720,437</u>	<u>466,064</u>	<u>1,322,068</u>
Total Liabilities and Fund Balances	<u>\$ 135,567</u>	<u>\$ 720,437</u>	<u>\$ 466,064</u>	<u>\$ 1,322,068</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	COMBINED NONMAJOR SPECIAL REVENUE FUNDS	COMBINED NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:			
Local Sources:			
Interest	\$ 677	\$ 12,603	\$ 13,280
Local Sources	914,349	240,153	1,154,502
State Sources	37,374	-	37,374
Federal Sources	1,808,067	-	1,808,067
	<u>2,760,467</u>	<u>252,756</u>	<u>3,013,223</u>
Total Revenues			
	<u>2,760,467</u>	<u>252,756</u>	<u>3,013,223</u>
EXPENDITURES:			
Instruction	72,542	-	72,542
Support Services	192,221	731,437	923,658
Enterprise and Community Services	2,489,130	-	2,489,130
	<u>2,753,893</u>	<u>731,437</u>	<u>3,485,330</u>
Total Expenditures			
	<u>2,753,893</u>	<u>731,437</u>	<u>3,485,330</u>
Excess of Revenues Over, - Under Expenditures	6,574	(478,681)	(472,107)
Other Financing Sources, (Uses):			
Transfers Out	(166,200)	-	(166,200)
	<u>(166,200)</u>	<u>-</u>	<u>(166,200)</u>
Total Other Financing Sources, (Uses)			
	<u>(166,200)</u>	<u>-</u>	<u>(166,200)</u>
Net Change in Fund Balance	(159,626)	(478,681)	(638,307)
Beginning Fund Balance	<u>1,050,843</u>	<u>1,800,749</u>	<u>2,851,592</u>
Ending Fund Balance	<u>\$ 891,217</u>	<u>\$ 1,322,068</u>	<u>\$ 2,213,285</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	TAX ANTICIPATION NOTE FUND	FOOD SERVICE FUND	PRIVATE GRANTS FUND	TRANS- PORTATION FUND
REVENUES:				
Local Sources:				
Interest	\$ 677	\$ -	\$ -	\$ -
Local Sources	-	47,320	178,324	-
State Sources	-	35,640	-	-
Federal Sources	-	1,808,067	-	-
Total Revenues	677	1,891,027	178,324	-
EXPENDITURES:				
Instruction	-	-	72,542	-
Support Services	-	-	61,749	1,194
Enterprise and Community Services	-	1,885,104	-	-
Total Expenditures	-	1,885,104	134,291	1,194
Excess of Revenues Over, - Under Expenditures	677	5,923	44,033	(1,194)
Other Financing Sources, (Uses):				
Transfers Out	-	-	-	(166,200)
Total Other Financing Sources, (Uses)	-	-	-	(166,200)
Net Change in Fund Balance	677	5,923	44,033	(167,394)
Beginning Fund Balance	62,280	97,097	48,400	230,480
Ending Fund Balance	\$ 62,957	\$ 103,020	\$ 92,433	\$ 63,086

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

STUDENT BODY FUND	RISK MANAGEMENT FUND	TECHNOLOGY REPLACEMENT FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ -	\$ 677
594,231	48,064	46,410	914,349
-	1,734	-	37,374
-	-	-	1,808,067
594,231	49,798	46,410	2,760,467
-	-	-	72,542
-	93,856	35,422	192,221
604,026	-	-	2,489,130
604,026	93,856	35,422	2,753,893
(9,795)	(44,058)	10,988	6,574
-	-	-	(166,200)
-	-	-	(166,200)
(9,795)	(44,058)	10,988	(159,626)
300,159	262,301	50,126	1,050,843
\$ 290,364	\$ 218,243	\$ 61,114	\$ 891,217

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	CAPITAL EQUIPMENT FUND	CAPITAL PROJECTS FUND	CAPITAL FLEET REPLACEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
REVENUES:				
Local Sources	\$ -	\$ 240,153	\$ 12,603	\$ 252,756
Total Revenues	-	240,153	12,603	252,756
EXPENDITURES:				
Support Services	-	1,072	730,365	731,437
Total Expenditures	-	1,072	730,365	731,437
Net Change in Fund Balance	-	239,081	(717,762)	(478,681)
Beginning Fund Balance	135,567	481,356	1,183,826	1,800,749
Ending Fund Balance	<u>\$ 135,567</u>	<u>\$ 720,437</u>	<u>\$ 466,064</u>	<u>\$ 1,322,068</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

<u>Tax Anticipation Note Fund</u>				
	<u>BUDGET</u>			VARIANCE TO
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Interest	\$ 2,000	\$ 2,000	\$ 677	\$ (1,323)
Total Revenues	2,000	2,000	677	(1,323)
EXPENDITURES:				
Support Services:				
Purchased Services	6,257	6,257	-	6,257
Total Support Services	6,257	6,257 (1)	-	6,257
Debt Services				
Principal	4,035,000	4,035,000	-	4,035,000
Interest	75,000	75,161	-	75,161
Total Debt Services	4,110,000	4,110,161 (1)	-	4,110,161
Total Expenditures	4,116,257	4,116,418	-	4,116,418
Excess of Revenues Over (Under) Expenditures	(4,114,257)	(4,114,418)	677	(4,115,095)
Other Financing Sources, (Uses):				
Proceeds	4,052,138	4,052,138	-	(4,052,138)
Total Other Financing Sources, (Uses)	4,052,138	4,052,138	-	(4,052,138)
Net Change in Fund Balance	(62,119)	(62,280)	677	62,957
Beginning Fund Balance	62,119	62,280	62,280	-
Ending Fund Balance	\$ -	\$ -	\$ 62,957	\$ 62,957

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

Food Service Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources	\$ 91,000	\$ 78,213	\$ 47,320	\$ (30,893)
State Sources	19,000	19,000	35,640	16,640
Federal Sources	1,882,000	1,882,000	1,808,067	(73,933)
Total Revenues	1,992,000	1,979,213	1,891,027	(88,186)
EXPENDITURES:				
Enterprise and Community Services:				
Salaries	468,445	467,047	408,269	58,778
Employee Benefits	346,853	307,913	300,134	7,779
Purchased Services	224,783	221,433	206,593	14,840
Supplies and Materials	971,500	1,015,188	946,373	68,815
Other Objects	53,500	53,500	23,735	29,765
Total Enterprise and Community Services	2,065,081	2,065,081 (1)	1,885,104	179,977
Total Expenditures	2,065,081	2,065,081	1,885,104	179,977
Net Change in Fund Balance	(73,081)	(85,868)	5,923	91,791
Beginning Fund Balance	84,310	97,097	97,097	-
Ending Fund Balance	\$ 11,229	\$ 11,229	\$ 103,020	\$ 91,791

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

Private Grants Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources	\$ 189,896	\$ 196,898	\$ 178,324	\$ (18,574)
Total Revenues	189,896	196,898	178,324	(18,574)
EXPENDITURES:				
Instruction:				
Salaries	-	35,548	6,200	29,348
Employee Benefits	7,357	9,149	2,076	7,073
Purchased Services	52,888	14,975	38,387	(23,412)
Supplies and Materials	143,974	70,964	12,689	58,275
Capital Outlay	-	20,000	13,190	6,810
Total Instruction	204,219	150,636 (1)	72,542	78,094
Support Services:				
Salaries	26,006	(3,494)	24,180	(27,674)
Employee Benefits	10,949	17,657	15,820	1,837
Purchased Services	4,241	25,123	15,790	9,333
Supplies and Materials	12,022	49,877	2,419	47,458
Other Objects	-	5,500	3,540	1,960
Total Support Services	53,218	94,663 (1)	61,749	32,914
Total Expenditures	257,437	245,299	134,291	111,008
Net Change in Fund Balance	(67,541)	(48,401)	44,033	92,434
Beginning Fund Balance	67,541	48,401	48,400	(1)
Ending Fund Balance	\$ -	\$ -	\$ 92,433	\$ 92,433

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

Transportation Fund

	BUDGET			VARIANCE TO
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET
REVENUES:				
State Sources	\$ 141,713	\$ 168,542	\$ -	\$ (168,542)
Total Revenues	141,713	168,542	-	(168,542)
EXPENDITURES:				
Support Services:				
Supplies and Materials	-	-	1,069	(1,069)
Other Objects	136,705	227,822	125	227,697
Total Expenditures	136,705	227,822 (1)	1,194	226,628
Excess of Revenues Over (Under) Expenditures	5,008	(59,280)	(1,194)	58,086
Other Financing Sources, (Uses):				
Transfers Out	(166,200)	(166,200) (1)	(166,200)	-
Total Other Financing Sources, (Uses)	(166,200)	(166,200)	(166,200)	-
Net Change in Fund Balance	(161,192)	(225,480)	(167,394)	58,086
Beginning Fund Balance	166,192	230,480	230,480	-
Ending Fund Balance	\$ 5,000	\$ 5,000	\$ 63,086	\$ 58,086

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

Student Body Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ 1,000,000	\$ 800,000	\$ 594,231	\$ (205,769)
Total Revenues	1,000,000	800,000	594,231	(205,769)
EXPENDITURES:				
Instruction:				
Supplies and Materials	1,000,000	800,000	604,026	195,974
Total Expenditures	1,000,000	800,000 (1)	604,026	195,974
Net Change in Fund Balance	-	-	(9,795)	(9,795)
Beginning Fund Balance	-	-	300,159	300,159
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,364</u>	<u>\$ 290,364</u>

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

Risk Management Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources	\$ -	\$ 47,950	\$ 48,064	\$ 114
State Sources	-	1,734	1,734	-
Total Revenues	-	49,684	49,798	114
EXPENDITURES:				
Support Services:				
Salaries	7,760	7,760	927	6,833
Employee Benefits	152,625	152,625	14,315	138,310
Purchased Services	22,500	45,500	36,855	8,645
Supplies and Materials	30,500	31,825	33,917	(2,092)
Capital Outlay	-	20,000	-	20,000
Other Objects	25,000	25,000	7,842	17,158
Total Expenditures	238,385	282,710 (1)	93,856	188,854
Net Change in Fund Balance	(238,385)	(233,026)	(44,058)	188,968
Beginning Fund Balance	267,660	262,301	262,301	-
Ending Fund Balance	<u>\$ 29,275</u>	<u>\$ 29,275</u>	<u>\$ 218,243</u>	<u>\$ 188,968</u>

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

Technology Replacement Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources	\$ 30,000	\$ 34,162	\$ 46,410	\$ 12,248
Total Revenues	30,000	34,162	46,410	12,248
EXPENDITURES:				
Support Services:				
Purchased Services	30,000	30,000	28,695	1,305
Supplies and Materials	46,288	46,288	3,982	42,306
Other Objects	3,000	3,000	2,745	255
Total Expenditures	79,288	79,288 (1)	35,422	43,866
Net Change in Fund Balance	(49,288)	(45,126)	10,988	56,114
Beginning Fund Balance	54,288	50,126	50,126	-
Ending Fund Balance	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 61,114</u>	<u>\$ 56,114</u>

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET -BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

Capital Equipment Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
EXPENDITURES:				
Support Services	\$ 126,787	\$ 135,567 (1)	\$ -	\$ 135,567
Total Expenditures	126,787	135,567	-	135,567
Net Change in Fund Balance	(126,787)	(135,567)	-	135,567
Beginning Fund Balance	126,787	135,567	135,567	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,567</u>	<u>\$ 135,567</u>

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET -BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

Capital Projects Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Revenue	\$ 150,000	\$ 235,000	\$ 240,153	\$ 5,153
Total Revenues	150,000	235,000	240,153	5,153
EXPENDITURES:				
Support Services:				
Purchased Services	107,890	107,890	-	107,890
Capital Outlay	287,110	483,466	-	483,466
Other Objects	-	-	1,072	(1,072)
Total Support Services	395,000	591,356 (1)	1,072	590,284
Contingency	75,000	75,000 (1)	-	75,000
Total Expenditures	470,000	666,356	1,072	665,284
Net Change in Fund Balance	(320,000)	(431,356)	239,081	670,437
Beginning Fund Balance	370,000	481,356	481,356	-
Ending Fund Balance	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 720,437</u>	<u>\$ 670,437</u>

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

Capital Fleet Replacement Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources	\$ 12,000	\$ 11,104	\$ 12,603	\$ 1,499
Total Revenues	12,000	11,104	12,603	1,499
EXPENDITURES:				
Support Services:				
Capital Outlay	1,194,930	1,194,930	730,012	464,918
Other Objects	-	-	353	(353)
Total Expenditures	1,194,930	1,194,930 (1)	730,365	464,565
Net Change in Fund Balance	(1,182,930)	(1,183,826)	(717,762)	466,064
Beginning Fund Balance	1,182,930	1,183,826	1,183,826	-
Ending Fund Balance	\$ -	\$ -	\$ 466,064	\$ 466,064

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

PERS Stabilization Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
EXPENDITURES:				
Support Services:				
Other Objects	\$ 140,000	\$ 500,000	\$ -	\$ 500,000
Total Expenditures	140,000	500,000 (1)	-	500,000
Excess of Revenues Over (Under) Expenditures	(140,000)	(500,000)	-	500,000
Other Financing Sources, (Uses):				
Transfers In	140,000	500,000	500,000	-
Total Other Financing Sources (Uses)	140,000	500,000	500,000	-
Net Change in Fund Balance	-	-	500,000	500,000
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>

(1) Appropriation Level

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

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

Textbook Fund

	<u>BUDGET</u>			<u>VARIANCE TO</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FINAL BUDGET</u>
EXPENDITURES:				
Instruction:				
Salaries	\$ -	\$ -	\$ 2,960	\$ (2,960)
Employee Benefits	-	-	856	(856)
Purchased Services	-	83,000	5,635	77,365
Supplies & Materials	200,082	344,083	159,952	184,131
Other Objects	-	3,000	1,332	1,668
Total Expenditures	<u>200,082</u>	<u>430,083 (1)</u>	<u>170,735</u>	<u>259,348</u>
Excess of Revenues Over (Under) Expenditures	(200,082)	(430,083)	(170,735)	259,348
Other Financing Sources, (Uses):				
Transfers In	<u>144,812</u>	<u>219,812</u>	<u>219,812</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>144,812</u>	<u>219,812</u>	<u>219,812</u>	<u>-</u>
Net Change in Fund Balance	(55,270)	(210,271)	49,077	259,348
Beginning Fund Balance	<u>55,270</u>	<u>210,271</u>	<u>210,271</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,348</u>	<u>\$ 259,348</u>

(1) Appropriation Level

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

MULTNOMAH SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (NON-GAAP) BASIS
For the Year Ended June 30, 2017

<u>Early Retirement Fund</u>				
	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources	\$ 5,000	\$ 14,000	\$ 13,638	\$ (362)
Total Revenues	5,000	14,000	13,638	(362)
EXPENDITURES:				
Support Services:				
Salaries	142,399	193,557	89,199	104,358
Employee Benefits	17,744	26,744	6,474	20,270
Other Objects	-	-	95	(95)
Total Expenditures	160,143	220,301 (1)	95,768	124,533
Excess of Revenues Over (Under) Expenditures	(155,143)	(206,301)	(82,130)	124,171
Other Financing Sources, (Uses):				
Transfers In	89,143	89,143	89,143	-
Total Other Financing Sources, (Uses)	89,143	89,143	89,143	-
Net Change in Fund Balance	(66,000)	(117,158)	7,013	124,171
Beginning Fund Balance	66,000	117,158	117,158	-
Ending Fund Balance	\$ -	\$ -	\$ 124,171	\$ 124,171

(1) Appropriation Level

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

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - GENERAL FUND
For the Year Ended June 30, 2017

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/16	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/17
Current:						
2016-2017	\$ 18,236,653	\$ 475,330	\$ (59,696)	\$ -	\$ 17,350,383	\$ 351,244
Prior Years:						
2015-2016	362,727	(361)	(15,156)	-	141,002	206,930
2014-2015	206,202	(51)	(2,373)	-	49,455	154,425
2013-2014	153,403	(23)	(1,046)	-	40,539	111,841
2012-2013	101,825	-	(236)	-	19,820	81,769
Prior	209,011	(1)	(1,754)	-	4,860	202,398
Total Prior	1,033,168	(436)	(20,565)	-	255,676	757,363
Total General Fund	\$ 19,269,821	\$ 474,894	\$ (80,261)	\$ -	\$ 17,606,059	\$ 1,108,607

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurers Above	\$ 17,606,059
June 30, 2016	(47,695)
June 30, 2017	48,643
Taxes In Lieu	53,381
Total Revenue	\$ 17,660,388

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - DEBT SERVICE FUND
For the Year Ended June 30, 2017

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/16	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/17
Current:						
2016-2017	\$ 3,665,662	\$ 95,544	\$ (11,999)	\$ -	\$ 3,487,517	\$ 70,602
Prior Years:						
2015-2016	79,254	(79)	(3,311)	-	30,808	45,214
2014-2015	43,692	(11)	(503)	-	10,479	32,721
2013-2014	38,590	(6)	(263)	-	10,198	28,135
2012-2013	26,775	-	(62)	-	5,212	21,501
Prior	49,108	-	(428)	-	1,113	47,567
Total Prior	237,419	(96)	(4,567)	-	57,810	175,138
Total Debt Service Fund	<u>\$ 3,903,081</u>	<u>\$ 95,448</u>	<u>\$ (16,566)</u>	<u>\$ -</u>	<u>\$ 3,545,327</u>	<u>\$ 245,740</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurers Above	\$ 3,545,327
Accrual of Receivables:	
June 30, 2016	(11,112)
June 30, 2017	10,554
Taxes In Lieu	12,288
Total Revenue	<u>\$ 3,557,057</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

PROGRAM TITLE	PASS-THROUGH ORGANIZATION	FEDERAL CFDA NUMBER	SUB GRANT NUMBER	GRANT PERIOD	EXPENDITURES
U.S. Department of Education:					
Title I Grants to Local Educational Agencies					
	Oregon Department of Education	84.010	36045	7/1/15-9/30/16	\$ 85,200
	Oregon Department of Education	84.010	37573	7/1/15-9/30/16	11,744
	Oregon Department of Education	84.010	37574	7/1/15-9/30/16	3,718
	Oregon Department of Education	84.010	37575	7/1/15-9/30/16	6,509
	Oregon Department of Education	84.010	41129	7/1/16-9/30/17	1,128,345
	Oregon Department of Education	84.010	41861	7/1/16-9/30/17	16,727
	Oregon Department of Education	84.010	41862	7/1/16-9/30/17	17,157
	Oregon Department of Education	84.010	41863	7/1/16-9/30/17	<u>21,932</u>
Total Title I Grants to Local Educational Agencies					<u>1,291,332</u>
School Improvement Grants					
	Oregon Department of Education	84.377	35703	6/1/15-9/30/16	101,404
	Oregon Department of Education	84.377	41928	7/1/16-9/30/17	<u>350,151</u>
Total School Improvement Grants					<u>451,555</u>
Special Education Cluster (IDEA)					
	Oregon Department of Education	84.027	36943	7/1/15-9/30/17	39,468
	Oregon Department of Education	84.027	40923	7/1/16-6/30/17	3,845
	Oregon Department of Education	84.027	41597	7/1/16-9/30/17	532,648
	Oregon Department of Education	84.027	41999	7/1/16-6/30/17	900
	Oregon Department of Education	84.027	42724	10/1/16-9/30/17	5,855
	Oregon Department of Education	84.027	42903	6/1/16-4/30/17	300
	Oregon Department of Education	84.173	40661	7/1/16-9/30/17	<u>1,050</u>
Total Special Education Cluster (IDEA)					<u>584,066</u>
Education for the Homeless Children and Youth					
	Oregon Department of Education	84.196	34333	7/1/14-9/30/16	5,240
	Oregon Department of Education	84.196	36483	7/1/15-6/30/17	13,654
	Oregon Department of Education	84.196	40510	7/1/16-9/30/17	<u>7,438</u>
Total Education for the Homeless Children and Youth					<u>26,332</u>
Special Education State Personnel Development Grants					
	Oregon Department of Education	84.323	37331	8/1/15-7/30/16	<u>4,548</u>
Total Special Education State Personnel Development Grants					<u>4,548</u>
Supporting Effective Instruction State Grant					
	Oregon Department of Education	84.367	41384	7/1/16-9/30/17	<u>119,264</u>
Total Supporting Effective Instruction State Grant					<u>119,264</u>
English Language Acquisition State Grants					
	Oregon Department of Education	84.365	41790	7/1/16-9/30/17	<u>54,174</u>
Total English Language Acquisition State Grants					<u>54,174</u>
Total U.S. Department of Education					<u>\$ 2,531,271</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

PROGRAM TITLE	PASS-THROUGH ORGANIZATION	FEDERAL CFDA NUMBER	SUB GRANT NUMBER	GRANT PERIOD	EXPENDITURES
U. S. Department of Agriculture:					
Child Nutrition Cluster					
National School Breakfast	Oregon Department of Education	10.553	Fund 202	7/1/16-6/30/17	\$ 464,719
Donated Commodity	Oregon Department of Education	10.553	Fund 202	7/1/16-6/30/17	36,321
Total School Breakfast Program					501,040
National School Lunch	Oregon Department of Education	10.555	Fund 202	7/1/16-6/30/17	984,326
Donated Commodity National School Lunch Program	Oregon Department of Education	10.555	Fund 202	7/1/16-6/30/17	76,932
Total National School Lunch Program					1,061,258
Summer Food Service Program for Children	Oregon Department of Education	10.559	Fund 202	7/1/16-6/30/17	38,035
Donated Commodity	Oregon Department of Education	10.559	Fund 202	7/1/16-6/30/17	2,973
Total Summer Food Service Program					41,008
Total Child Nutrition Cluster					1,603,306 (1)
Child and Adult Food Care Program	Oregon Department of Education	10.558	Fund 202	7/1/16-6/30/17	129,234
Fresh Fruit and Vegetable Program	Oregon Department of Education	10.582	*see list	N/A	73,565
State Administrative Expenses for Child Nutrition	Oregon Department of Education	10.560	N/A	N/A	1,964
Forest Service Schools and Roads Cluster	Multnomah County	10.665	N/A	7/1/16-6/30/17	489
Total U. S. Department of Agriculture					1,808,558
U. S. Department of Health and Human Services:					
Promoting Safe and Stable Families	Early Learning Multnomah Hub via United Way of Columbia- Willamette	93.556	675812-1617-09A	7/1/16-6/30/17	242,060
Total U. S. Department of Health and Human Services					242,060
Total Federal Financial Assistance					\$ 4,581,889

(1) - Major Program

* List of Fresh Fruit and Vegetable Grant Numbers: 38630, 38631, 38632, 38633, 39940, 43011, 43064, 43065, 43066.

INDEPENDENT AUDITORS' REPORT AS REQUIRED BY
OREGON STATE REGULATIONS



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

November 29, 2017

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Multnomah County School District No. 3, Multnomah County, Oregon, as of and for the year ended June 30, 2017, and have issued our report thereon dated November 29, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

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

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

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

In connection with our testing nothing came to our attention that caused us to believe the Multnomah County School District No. 3, Multnomah County, Oregon, was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

1. Budget overexpenditures as noted on page 18 of the report.
2. In our testing of teacher experience, we noted one teacher's experience was over reported by one year on the Staff Position Report.

OAR 162-10-0230 Internal Control

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

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

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

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

GRANT COMPLIANCE REVIEW



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

November 29, 2017

To the Board of Directors
Multnomah County School District No. 3
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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Multnomah County School District No. 3 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

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

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

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


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

Compliance and Other Matters

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

Purpose of this Report

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


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



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

November 29, 2017

To the Board of Directors
Multnomah County School District No. 3
Multnomah, 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. 3's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2017. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for 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. 3, 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, 2017.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each 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.



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

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

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

Noncompliance material to financial statements noted? ☐ yes ☒ no

Any GAGAS audit findings disclosed that are required to be reporting in accordance with section the Uniform Guidance? ☐ yes ☒ no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

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

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ☐ yes ☒ no

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM CLUSTER</u>
---------------------------	---

10.553, 10.555, 10.559	Child Nutrition Cluster
------------------------	-------------------------

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. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards 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 entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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