

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3

MULTNOMAH COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018



MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018



ADMINISTRATION

Michael Lopes-Serrao, Superintendent
Dr. Karen Fischer, Superintendent for fiscal year end
Sharie Lewis, CPA, Director of Business Services and Operations

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

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MULTNOMAH COUNTY, OREGON

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

November 13, 2018

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, 2018, 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, 2018, 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.

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 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 13, 2018 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 13, 2018, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



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

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

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

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, 2018.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets of the District exceeded its liabilities and deferred inflows at June 30, 2018 by \$16,193,292. Of this amount, \$34,192,300 represents the District's Net Investment in Capital Assets. The District has \$2,695,135 of net position restricted and expendable for debt service. The District's unassigned net position is (\$20,694,143).
- The District's governmental funds report combined ending fund balance of \$8,298,791, is a decrease of \$1,880,696 or 18.5% in comparison with the prior year. Of this total, \$4,571,357 or 55.1% is committed for future payments for services, \$744 or 0.01% is non-spendable for prepaid expenses, \$3,019,736 or 36.4% is restricted by board resolution for various purposes, and \$706,954 or 8.5% is unassigned and available to spend at the discretion of the board of directors.
- The District's long-term debt decreased by \$1,954,011 or 3.3% during the 2017-18 fiscal year.

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 funds Balance Sheet and the governmental funds 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 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS OF NET POSITION:

GOVERNMENT-WIDE FINANCIAL ANALYSIS Condensed Statement of Net Position						
	2017-18	Percentage of Total	2016-17	Percentage of Total	Change	Percentage of Change
Assets						
Current or other assets	\$ 13,665,587	13.1%	\$ 14,707,367	13.8%	\$ (1,041,780)	-7.1%
Capital assets, net	90,809,677	86.9%	91,980,317	86.2%	(1,170,640)	-1.3%
Total Assets	104,475,264	100.0%	106,687,684	100.0%	(2,212,420)	-2.1%
Deferred Outflows of Resources						
Pension Related Deferral	13,268,519	100.0%	22,533,598	0.0%	(9,265,079)	-41.1%
Total Deferred Outflows of Resources	13,268,519	100.0%	22,533,598	0.0%	(9,265,079)	-41.1%
Liabilities						
Long-term liabilities outstanding	92,276,742	95.4%	103,484,734	96.9%	(11,207,992)	-10.8%
Other liabilities	4,407,332	4.6%	3,350,834	3.1%	1,056,498	31.5%
Total Liabilities	96,684,074	100.0%	106,835,568	100.0%	(10,151,494)	-9.5%
Deferred Inflows of Resources	4,866,417	100%	3,116,866	100%	1,749,551	56.1%
Net Position						
Net investment in capital assets	34,192,300	211%	34,782,893	181%	(590,593)	-1.7%
Restricted	2,695,135	17%	2,093,547	11%	601,588	28.7%
Unrestricted	(20,694,143)	-128%	(17,607,592)	-91%	(3,086,551)	17.5%
Total Net Position	\$ 16,193,292	100%	\$ 19,268,848	100%	(3,075,556)	-16.0%

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 and deferred outflows exceeded liabilities and deferred inflows by \$16,193,292 at June 30, 2018, a 16.0% or \$3,075,556 decrease from prior year. Some of the factors that affected the decline in net position are:

- 1) The Deferred Outflows in Resources reduced by \$9,265,079 or 41.1% and the Net Pension Liability reduced by \$9,300,202 or 22.2%. Both of these changes are largely attributed to a good economy and investment growth a PERS. This reporting requirement is the result of implementing GASB 67, 68 & 73.
- 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 \$46,221 or 1.7%.
- 3) Cash and Investments were reduced by \$1,111,330 or 9.2% – this reduction is due to various items including a bond cash reduction due to spending down the capital bond and a partial payment to Oregon Department of Education to repay a portion of the State School Funding.
- 4) Capital Assets were reduced by \$1,170,640 or 1.3% after the district reviewed and reevaluated the depreciable lives of many of the assets.

Capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 86.9% or \$90,809,677 of total assets. The remaining assets consist mainly of investments, cash, prepaid expenses, grants receivable, and property taxes receivable.

The District's largest liability comes from the repayment of general obligation bonds & net pension liability it currently makes up 95.4% or \$92,276,742 of our liabilities. Current liabilities, representing about 4.6% or \$4,407,332 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 \$3,075,556 or 16.0%. The revenues and expenses shown below explain changes in net position for the fiscal year 2017-18.

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 86.7% or \$39,353,994 of the funding required for governmental programs. Property taxes and State School Fund combined account for 91.9% of general fund revenues and 80.5% of total revenues.

Program revenue consists of operating grants and contributions and charges for services and they account for 13.3% or \$6,043,393 of total revenues. Included in this category total federal grants of \$4,308,379 includes \$1,842,855 for the child nutrition cluster; \$1,456,504 for Title IA, and \$556,775 for Special Education (IDEA). These three funding sources represent 89.5% or \$3,856,124 of the Districts federal funds. The remaining federally controlled grants totaled \$452,245 or 10.5%. For more details on what type of federal funds the district receives please go to pages 75-76. The remaining program revenue consists of \$1,735,014 or 28.7% local grants and charges for services that are 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 56.3% of the total expenses of \$48,472,943. 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						
	2017-18	% of total	2016-17	% of total	Change	% change
Revenues						
Program Revenues						
Charges for services	\$ 774,335	1.7%	\$ 749,133	1.7%	\$ 25,202	3.4%
Operating grants & contributions	5,269,058	11.6%	5,122,450	11.7%	146,608	2.9%
Total Program Revenues	6,043,393	13.3%	5,871,583	13.4%	171,810	2.9%
General Revenues						
Property & other taxes	21,973,419	48.4%	21,300,814	48.7%	672,605	3.2%
State School Fund	14,212,102	31.3%	14,467,755	33.1%	(255,653)	-1.8%
Common School Fund	347,186	0.8%	431,889	1.0%	(84,703)	-19.6%
Unrestricted Other Sources	2,493,093	5.5%	1,150,145	2.6%	1,342,948	116.8%
Investment earnings	327,759	0.7%	207,048	0.5%	120,711	58.3%
Other	435	0.0%	311,323	0.7%	(310,888)	-99.9%
Total General Revenues	39,353,994	86.7%	37,868,974	86.6%	1,485,020	3.9%
Total Revenues	45,397,387	100.0%	43,740,557	100.0%	1,656,830	3.8%
Expenses						
Instruction	27,400,919	56.5%	26,364,346	55.6%	1,036,573	3.9%
Support services	16,079,987	33.2%	15,595,937	32.9%	484,050	3.1%
Enterprise & community services	2,390,011	4.9%	2,768,799	5.8%	(378,788)	-13.7%
Interest & fees on long-term debt	2,602,026	5.4%	2,662,596	5.6%	(60,570)	-2.3%
Total Expenses	48,472,943	100.0%	47,391,678	99.9%	1,081,265	2.3%
Change in Net Position	(3,075,556)	-19.0%	(3,651,121)	-18.9%	575,565	-15.8%
Beginning Net Position	19,268,848	119.0%	22,919,969	118.9%	(3,651,121)	-15.9%
Net position - end of year	\$ 16,193,292	100.0%	\$ 19,268,848	100.0%	\$ (3,075,556)	-16.0%

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, 2018, the District's governmental funds reported combined ending fund balances of \$8,298,791 (exclusive of inventory), a decrease of \$1,880,696 or 18.5% in comparison with the prior year. About \$706,954 or 8.5% of the ending fund balance constitutes unassigned ending fund balance, which is available for spending at the direction of management. Additionally, \$3,019,736 or 36.4% constitutes restricted balances associated with debt service, food service, private grants, and capital obligations. The District also has a small ending fund balance of \$744 or 0.01% classified as non-spendable for prepaid expenses. Then the remaining portion of the ending fund balance \$4,571,357 or 55.1% 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, 2018, ending fund balance was \$957,698 which is a decrease of \$840,657 or 46.7% from prior year. This decrease is largely due to a partial payment of \$510,000 made to Oregon Department of Education for a repayment on the 2016-17 State School Fund reconciliation.

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 \$957,698 or 2.7% of total General Fund's expenditures compared to 5.5% in the prior year. However, keep in mind only \$706,954 or 2.0% is unassigned and the remainder is committed and non-spendable.

Debt Service Fund: The Debt Service Fund has a total fund balance of \$1,601,758 all of which is reserved for the payment of debt service. The increase in fund balance during the current year was \$487,058 or 43.7%. This increase is the result of the bank failing to post the IRS rebate to the bank account in a timely basis last fiscal year, which resulted in it being posted in this fiscal year.

Capital Projects G.O. Bond Fund: The Capital Projects G.O. Bond Fund has a total fund balance of \$272,197. The net decrease in fund balance during the current year was \$960,304 or 77.9%. 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 \$3,367,065. The decrease of \$453,581 or 11.9% is attributed to the District increased maintenance for our rental facilities and a \$300,000 transfer to the general fund. We also increased our revenue associated with rental units and community center making our total revenue for the year was \$686,267 while the expenses were \$839,848.

Federal and State Grant Fund: The Federal and State Grants Fund have a total fund balance of \$129. Total revenue for this fund is \$2,929,958 which is an increase \$134,234 or 4.8% over 2016-17 revenues. The typical nature of this fund is that there should not be a fund balance however at the end of 2017-18 one state grant had a small fund balance of \$129 remaining (Outdoor School / Measure 99 Grant).

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund final budget was \$35,680,227 for the fiscal year ended June 30, 2018. The Board of Directors made two appropriation changes during the year for net reduction of \$97,515 or 0.3%. The first amendment in January 2018 increases the adopted budget by \$97,515. Within the amendment we increased local revenue by \$972,973 as well as increased intermediate revenue by \$6,460 both due to new grants, and then we reduced state revenue by \$884,845 with the majority associated with a reduction in State School Fund. The last part of the first revenue adjustment was to increase to beginning fund balance by \$2,928. Expenditures related to Support Services were decreased by \$124,121 and Instruction expenditures increased by \$221,696. Then in June 2018 a small adjustment was made to expenses only in the amount of \$133,671. The instruction line was reduced by \$133,671 and the support lines were increased by the same amount. The reason for the shift in expenses was the result of staffing changes.

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, 2018, the District had invested \$90,809,677 in capital assets, net of depreciation.

During the year, the District's investment in capital assets decreased by \$1,170,640 or 1.3% (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				
	2017-18	2016-17	change	% change
Land	\$ 5,880,941	\$ 5,880,941	\$ -	0.0%
Buildings and site improvements	109,329,285	108,474,398	854,887	0.8%
Vehicles and equipment	4,526,152	4,192,859	333,293	7.9%
	119,736,378	118,548,198	1,188,180	1.0%
less accumulated depreciation	(28,926,701)	(26,567,881)	(2,358,820)	8.9%
Capital assets, net of depreciation	\$ 90,809,677	\$ 91,980,317	\$ (1,170,640)	-1.3%

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 \$56,941,978 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 \$1,954,011 or 3.4%.

	FINANCIAL ANALYSIS					
	Outstanding Debt					
	Original Amount	06/30/17 Balance	Additions	Matured and Redeemed	6/30/2018 Balance	Due Within One Year
GO Bonds						
Series 2011A	\$ 48,000,000	\$ 41,045,000	\$ -	\$ (1,645,000)	\$ 39,400,000	\$ 1,770,000
Series 2011B	15,000,000	15,000,000	-	-	15,000,000	-
Total GO Bond	63,000,000	56,045,000	-	(1,645,000)	54,400,000	1,770,000
Other Debt:						
QZAB 2009	2,000,000	857,143	-	(142,857)	714,286	142,857
QZAB 2015	2,160,000	1,993,846	-	(166,154)	1,827,692	166,154
Total other debt	4,160,000	2,850,989	-	(309,011)	2,541,978	309,011
Total long-term debt	\$ 67,160,000	\$ 58,895,989	\$ -	\$ (1,954,011)	\$ 56,941,978	\$ 2,079,011

Moody's Investors Services assigned an underlying rating of A2 to Multnomah County School District 3 (Parkrose), OR's General Obligation Bonds, Series 2011A (Tax-Exempt) and Series 2011B (Qualified Zone Academy Bonds).

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, 2018, the State School Fund & Common School Fund - General Support provided 32.1% of the District's total 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 2018-19 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 Director of Business Services and Operations at 10636 NE Prescott Street, Portland, OR 97220.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
ASSETS	
Cash and Investments	\$ 10,960,426
Receivables:	
Accounts and Grants	1,512,411
Property Taxes	1,192,006
Prepaid Expenses	744
Non-Depreciable Capital Assets	5,880,941
Capital Assets, Net of Depreciation	84,928,736
Total Assets	104,475,264
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Related Deferral	13,268,519
Total Deferred Outflows of Resources	13,268,519
LIABILITIES:	
Accounts Payable	1,777,200
Accrued Salaries and Benefits	2,508,610
Bond Interest Payable	74,807
Accrued Vacation Payable	46,715
Long Term Liabilities:	
Early Retirement Pension Liability	482,586
OPEB Pension Liability	2,226,997
Net Pension Liability	32,625,181
Due Within One Year	2,079,011
Due in More Than One Year	54,862,967
Total Liabilities	96,684,074
DEFERRED INFLOWS OF RESOURCES:	
Net Deferred Pension Asset	4,866,417
Total Deferred Inflows of Resources	4,866,417
NET POSITION:	
Net Investment in Capital Assets	34,192,300
Restricted for:	
Debt Service	1,665,795
Food Service	11,509
Special Revenue	132,680
Capital	885,151
Unrestricted	(20,694,143)
Total Net Position	\$ 16,193,292

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, 2018

<u>Functions/Programs</u>	<u>Expense</u>	<u>PROGRAM REVENUES</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities:				
Instruction	\$ 27,400,919	\$ 6,881	\$ 3,228,400	\$ (24,165,638)
Support Services	16,079,987	715,096	180,646	(15,184,244)
Enterprise and Community Services	2,390,011	52,358	1,860,012	(477,641)
Interest on Long-Term Debt	2,602,026	-	-	(2,602,026)
Total Governmental Activities	\$ 48,472,943	\$ 774,335	\$ 5,269,058	(42,429,549)

GENERAL REVENUES:

Property Taxes	21,973,419
Unrestricted Other Sources	2,493,093
State School Fund - General Support	14,212,102
Common School Fund	347,186
Interest	327,759
Other	435
Total General Revenues	39,353,994
Change in Net Position	(3,075,556)
Beginning Net Position	19,268,848
Ending Net Position	\$ 16,193,292

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

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MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	GENERAL FUND	THOMPSON SPECIAL FUND	FEDERAL AND STATE GRANTS FUND	DEBT SERVICE FUND	CAPITAL GO BOND FUND	NON-MAJOR FUNDS	TOTAL
ASSETS:							
Cash and Investments	\$ 3,454,492	\$ 3,358,099	\$ -	\$ 1,221,688	\$ 286,802	\$ 2,639,345	\$ 10,960,426
Receivables:							
Taxes	978,395	-	-	213,611	-	-	1,192,006
Accounts and Grants	303,426	14,124	663,583	361,587	-	169,691	1,512,411
Prepaid Items	744	-	-	-	-	-	744
Due From Other Funds	3,618,838	-	-	-	-	-	3,618,838
Total Assets	\$ 8,355,895	\$ 3,372,223	\$ 663,583	\$ 1,796,886	\$ 286,802	\$ 2,809,036	\$ 17,284,425
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES:							
Liabilities:							
Accounts Payable	\$ 1,246,905	\$ 5,158	\$ 46,898	\$ -	\$ 14,605	\$ 463,634	\$ 1,777,200
Accrued Salaries and Benefits	2,508,610	-	-	-	-	-	2,508,610
Due To Other Funds	2,756,824	-	616,556	-	-	245,458	3,618,838
Total Liabilities	6,512,339	5,158	663,454	-	14,605	709,092	7,904,648
Deferred Inflows:							
Unavailable Revenue	885,858	-	-	195,128	-	-	1,080,986
Total Deferred Inflows	885,858	-	-	195,128	-	-	1,080,986
Fund Balances:							
Nonspendable	744	-	-	-	-	-	744
Restricted for:							
Debt Service	-	-	-	1,601,758	-	64,037	1,665,795
Food Service	-	-	-	-	-	11,509	11,509
Private Grants	-	-	129	-	-	132,551	132,680
Capital	-	-	-	-	272,197	937,555	1,209,752
Committed	250,000	3,367,065	-	-	-	954,292	4,571,357
Unassigned	706,954	-	-	-	-	-	706,954
Total Fund Balances	957,698	3,367,065	129	1,601,758	272,197	2,099,944	8,298,791
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 8,355,895	\$ 3,372,223	\$ 663,583	\$ 1,796,886	\$ 286,802	\$ 2,809,036	\$ 17,284,425

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, 2018

TOTAL FUND BALANCE-GOVERNMENTAL FUNDS	\$	8,298,791
<p>Capital assets are not financial resources and therefore are not reported in the governmental funds.</p>		
Cost	\$	119,736,378
Accumulated Depreciation		<u>(28,926,701)</u>
		90,809,677
<p>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.</p>		
		1,080,986
<p>The proportionate share of the net pension liability is not reported as an liability in the governmental funds</p>		
		(32,625,181)
<p>Deferred Outflows of Resources - Pension Related Deferral</p>		
		13,268,519
<p>The net deferred pension asset is not reported as a deferred inflow in the governmental funds</p>		
		(4,866,417)
<p>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.</p>		
<p>Long term Liabilities:</p>		
Accrued Vacation Payable	\$	(46,715)
Bond Interest Payable		(74,807)
Early Retirement Pension Liability		(482,586)
OPEB Pension Liability		(2,226,997)
Bonds Payable		<u>(56,941,978)</u>
		<u>(59,773,083)</u>
TOTAL NET POSITION	\$	<u><u>16,193,292</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, 2018

	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	\$ 18,547,185	\$ -	\$ -	\$ 3,640,398	\$ -	\$ -	\$ 22,187,583
Interest	229,883	-	-	67,087	21,558	9,231	327,759
Local Sources	285,774	686,267	15,757	-	-	1,239,767	2,227,565
Intermediate Sources	304,323	-	-	-	-	10,000	314,323
State Sources	14,559,288	-	461,936	-	-	196,087	15,217,311
Federal Sources	10,311	-	2,452,265	1,028,633	-	1,845,801	5,337,010
Total Revenues	<u>33,936,764</u>	<u>686,267</u>	<u>2,929,958</u>	<u>4,736,118</u>	<u>21,558</u>	<u>3,300,886</u>	<u>45,611,551</u>
EXPENDITURES:							
Current:							
Instruction	21,248,154	-	2,608,027	-	118,200	872,586	24,846,967
Support Services	13,308,863	724,605	291,730	-	-	311,602	14,636,800
Enterprise and Community Services	-	115,243	30,072	-	-	2,025,593	2,170,908
Facilities Acquisition and Construction	-	-	-	-	34,816	-	34,816
Capital Outlay	-	-	-	-	828,846	421,811	1,250,657
Debt Service:							
Principal	-	-	-	1,953,903	-	-	1,953,903
Interest	-	-	-	2,604,168	-	-	2,604,168
Total Expenditures	<u>34,557,017</u>	<u>839,848</u>	<u>2,929,829</u>	<u>4,558,071</u>	<u>981,862</u>	<u>3,631,592</u>	<u>47,498,219</u>
Excess of Revenues Over (Under) Expenditures	(620,253)	(153,581)	129	178,047	(960,304)	(330,706)	(1,886,668)
Other Financing Sources, (Uses):							
Sale of Capital Assets	5,972	-	-	-	-	-	5,972
Transfers In	550,000	-	-	309,011	-	-	859,011
Transfers Out	(392,857)	(300,000)	-	-	-	(166,154)	(859,011)
Total Other Financing Sources, -Uses	<u>163,115</u>	<u>(300,000)</u>	<u>-</u>	<u>309,011</u>	<u>-</u>	<u>(166,154)</u>	<u>5,972</u>
Net Change in Fund Balance	(457,138)	(453,581)	129	487,058	(960,304)	(496,860)	(1,880,696)
Beginning Fund Balance	<u>1,414,836</u>	<u>3,820,646</u>	<u>-</u>	<u>1,114,700</u>	<u>1,232,501</u>	<u>2,596,804</u>	<u>10,179,487</u>
Ending Fund Balance	<u>\$ 957,698</u>	<u>\$ 3,367,065</u>	<u>\$ 129</u>	<u>\$ 1,601,758</u>	<u>\$ 272,197</u>	<u>\$ 2,099,944</u>	<u>\$ 8,298,791</u>

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, 2018

TOTAL NET CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS	\$	(1,880,696)
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period:</p>		
Additions to Capital Assets, Net	\$ 1,424,172	
Gain/loss on sale of asset	(110,609)	
Less Current Year Depreciation	<u>(2,484,203)</u>	(1,170,640)
<p>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.</p>		
		1,954,011
<p>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.</p>		
		(1,714,428)
<p>In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an expense when due.</p>		
		2,034
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue.</p>		
		(214,164)
<p>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.</p>		
Accrued Vacation Payable		(5,452)
Early Retirement Pension Liability		6,640
OPEB Pension Liability		<u>(52,861)</u>
CHANGE IN NET POSITION	\$	<u>(3,075,556)</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, 2018 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 Director of Business Services.
- 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)

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 \$260,690.

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	\$	1,995,270
Petty Cash		120
Local Government Investment Pool		8,965,036
	\$	<u>10,960,426</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, 2018, the bank balance was \$2,337,225, 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, 2018, 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	\$ 8,965,036	\$ 8,965,036	\$ -
Total	<u>\$ 8,965,036</u>	<u>\$ 8,965,036</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, 2018 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	\$ 978,395	\$ 303,426
Thompson Special Fund	-	14,124
Federal and State Grants Fund	-	663,583
Debt Service Fund	213,611	361,587
Non-Major Funds	-	169,691
	<u>\$ 1,192,006</u>	<u>\$ 1,512,411</u>

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

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
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NOTES TO BASIC FINANCIAL STATEMENTS

7. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:	July 1, 2017			June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 5,880,941	\$ -	\$ -	\$ 5,880,941
Total Capital Assets Not Being Depreciated	<u>5,880,941</u>	<u>-</u>	<u>-</u>	<u>5,880,941</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	108,474,398	854,887	-	109,329,285
Vehicles and Equipment	<u>4,192,859</u>	<u>569,285</u>	<u>(235,992)</u>	<u>4,526,152</u>
Total Capital Assets Being Depreciated	<u>112,667,257</u>	<u>1,424,172</u>	<u>(235,992)</u>	<u>113,855,437</u>
Accumulated Depreciation:				
Buildings and Improvements	(25,025,745)	(2,247,720)		(27,273,465)
Vehicles and Equipment	<u>(1,542,136)</u>	<u>(236,483)</u>	<u>125,383</u>	<u>(1,653,236)</u>
Total Accumulated Depreciation	<u>(26,567,881)</u>	<u>(2,484,203)</u>	<u>125,383</u>	<u>(28,926,701)</u>
Total Capital Assets Being Depreciated, Net	<u>86,099,376</u>	<u>(1,060,031)</u>	<u>(110,609)</u>	<u>84,928,736</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 91,980,317</u>	<u>\$ (1,060,031)</u>	<u>\$ (110,609)</u>	<u>\$ 90,809,677</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	\$ 1,439,770
Support Services	877,193
Community Services	<u>167,240</u>
 Total Depreciation Expense-	
Governmental Activities	<u>\$ 2,484,203</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
General Fund	\$ 550,000	\$ (392,857)
Thompson Special Fund	-	(300,000)
Debt Service Fund	309,011	-
Non-Major Fund	<u>-</u>	<u>(166,154)</u>
	<u>\$ 859,011</u>	<u>\$ (859,011)</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	\$ 3,618,838	\$ 2,756,824
Federal and State Grants Fund	-	616,556
Non-Major Funds	<u>-</u>	<u>245,458</u>
	<u>\$ 3,618,838</u>	<u>\$ 3,618,838</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 7/1/17	\$ 857,143	\$ 41,045,000	\$ 15,000,000	\$ 1,993,846	\$ 58,895,989
Additions	-	-	-	-	-
Payments & Deletions	(142,857)	(1,645,000)	-	(166,154)	(1,954,011)
Balance 6/30/18	<u>\$ 714,286</u>	<u>\$ 39,400,000</u>	<u>\$ 15,000,000</u>	<u>\$ 1,827,692</u>	<u>\$ 56,941,978</u>

Amounts Payable
in Fiscal Year:

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
2022-23	142,858	1,035,000	-	830,769	2,008,627
2023-28	-	-	15,000,000	332,307	15,332,307
2028-33	-	17,000,000	-	-	17,000,000
2033-38	-	13,420,000	-	-	13,420,000
Total	<u>\$ 714,286</u>	<u>\$ 39,400,000</u>	<u>\$ 15,000,000</u>	<u>\$ 1,827,692</u>	<u>\$ 56,941,978</u>

Changes in long term debt outstanding are as follows:

Issue Date	Interest Rates	Original Issue	Outstanding July 1, 2017	Additions	Matured And Redeemed	Outstanding June 30, 2018	Due Within One Year
May 29, 2009	0%	2,000,000	\$ 857,143	\$ -	\$ 142,857	\$ 714,286	\$ 142,857
August 11, 2011	2.0-5.0%	48,000,000	41,045,000	-	1,645,000	39,400,000	1,770,000
August 11, 2011	4.9%	15,000,000	15,000,000	-	-	15,000,000	-
December 19, 2015	0.0%	2,160,000	1,993,846	-	166,154	1,827,692	166,154
Total Long Term Debt			<u>\$ 58,895,989</u>	<u>\$ -</u>	<u>\$ 1,954,011</u>	<u>\$ 56,941,978</u>	<u>\$ 2,079,011</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/financials/CAFR/2017-CAFR.pdf>

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

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.
- 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,
 - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
- iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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

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

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2018 were \$4,295,742, excluding amounts to fund employer specific liabilities. In addition approximately \$1,077,089 in employee contributions were paid or picked up by the District in fiscal 2018. At June 30, 2018, the District reported a net pension liability of \$32,625,181 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2017, the District's proportion was .24 percent. Pension expense for the year ended June 30, 2018 was \$1,714,428. The rates in effect for the year ended June 30, 2018 were:

- (1) Tier 1/Tier 2 – 27.20%
- (2) OPSRP general services – 21.87%

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
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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	\$ 1,577,768	\$ -
Changes in assumptions	5,946,989	-
Net difference between projected and actual earnings on pension plan investments	336,116	-
Net changes in proportionate share	-	4,727,866
Differences between District contributions and proportionate share of contributions	1,111,904	138,551
Subtotal - Amortized Deferrals (below)	8,972,777	4,866,417
District contributions subsequent to measuring date	4,295,742	-
Deferred outflow (inflow) of resources	\$ 13,268,519	\$ 4,866,417

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

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	\$ 479,796
2018	3,136,640
2019	1,902,562
2020	(1,330,940)
2021	(81,698)
Thereafter	-
Total	\$ 4,106,360

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 20, 2018. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/documents/financials/CAFR/2017-CAFR.pdf>

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

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, 2015 rolled forward to June 30, 2017
Experience Study Report	2014, Published September 23, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.50 percent
Projected salary increase	3.5 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/1.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 sex-distinct, generational per scale BB, disabled mortality table.

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

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
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NOTES TO BASIC FINANCIAL STATEMENTS

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

Assumed Asset Allocation: *(Source: June 30, 2017 PERS CAFR; p. 92)*

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

Long-Term Expected Rate of Return: *(Source: June 30, 2017 PERS CAFR; p. 69)*

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.50 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.

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 55,599,266	\$ 32,625,181	\$ 13,414,592

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.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

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

Pension Benefits:

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

Death Benefits:

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

Contributions:

Employees of the District pay six (6) percent of their covered payroll. The Board elected for the District to pay the 6% on the behalf of the employees. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2018.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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

Retirement Health Insurance Account

Plan Description:

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

Funding Policy:

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

Participating entities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.50% of annual covered OPERF payroll and 0.43% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2016, 2017 and 2018 were \$67,503, \$63,898 and \$64,276, respectively, which equaled the required contributions each year.

Actuarial Methods and Assumptions:

Assets are valued at their market value. Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuation in which they are first recognized. The assumed rate of return on investments is 7.5% compounded annually. The assumed consumer price inflation rate used is 2.5% per year.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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

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

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

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 \$89,551 and \$66,673 for the 2017-18 and 2016-17 fiscal years respectively. Total retirement stipend obligation for the fiscal years 2017-18 and 2016-17 were \$61,329 and \$152,155 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 July 1, 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, 2017	\$	489,226
 Changes for the Year:		
Service Cost		24,188
Interest		17,886
Changes of Benefit Terms		-
Differences Between Expected and Actual Experience		-
Changes of Assumptions or Other Input		-
Benefit Payments		(48,714)
Net Changes for the Year		(6,640)
 Total Pension Liability at June 30, 2018	 \$	 <u>482,586</u>

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:

	1% Decrease <u>2.75% Discount Rate</u>	Current Rate <u>3.75% Discount Rate</u>	1% Increase <u>4.75% Discount Rate</u>
Total Pension Liability	\$ 518,017	\$ 482,586	\$ 449,460

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 July 1, 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, 2017	\$	2,174,136
 Changes for the Year:		
Service Cost		115,333
Interest		81,002
Changes of Benefit Terms		-
Differences Between Expected and Actual Experience		-
Changes of Assumptions or Other Input		-
Benefit Payments		(143,474)
		52,861
 Net Changes for the Year		 52,861
 Total OPEB Liability at June 30, 2018	 \$	 2,226,997

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:

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total OPEB Liability	\$ 2,400,838	\$ 2,226,997	\$ 2,067,248

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:

	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	\$ 1,977,857	\$ 2,226,997	\$ 2,523,624

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.

2017-18 Current Tax Limits Imposed

Permanent Rate	\$4.8906 / \$1,000
Bonded Debt Amount	\$3,793,883

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, 2018 and 2017 are as follows:

	<u>FY 2017/18</u>	<u>FY 2016/17</u>
Revenues	\$ 303,888	\$ 300,978
Expenditures	<u>318,649</u>	<u>290,373</u>
Variance	(14,761)	10,605
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.

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

17. GASB STATEMENT #54 - FUND BALANCES

Fund balances by classification for the year ended June 30, 2018 are as follows:

Fund Balances:	<u>General Fund</u>	<u>Thompson Special Fund</u>	<u>Federal and State Grants Fund</u>	<u>Debt Service Fund</u>	<u>Capital GO Bond Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
<u>Nonspendable:</u>	\$ 744	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 744
<u>Restricted:</u>							
Debt Service	-	-	-	1,601,758	-	64,037	1,665,795
Food Service	-	-	-	-	-	11,509	11,509
Special Revenue	-	-	129	-	-	132,551	132,680
Capital	-	-	-	-	272,197	937,555	1,209,752
Total Restricted	<u>-</u>	<u>-</u>	<u>129</u>	<u>1,601,758</u>	<u>272,197</u>	<u>1,145,652</u>	<u>3,019,736</u>
<u>Committed:</u>							
Transportation	-	-	-	-	-	73,458	73,458
Student Body	-	-	-	-	-	399,351	399,351
Risk Management	-	-	-	-	-	157,351	157,351
Special Revenue	-	3,367,065	-	-	-	-	3,367,065
Technology	-	-	-	-	-	-	-
Replacement	-	-	-	-	-	83,006	83,006
Textbook	-	-	-	-	-	82,664	82,664
Early Retirement	-	-	-	-	-	22,895	22,895
PERS	250,000	-	-	-	-	-	250,000
Capital Equipment	-	-	-	-	-	135,567	135,567
Total Committed	<u>250,000</u>	<u>3,367,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>954,292</u>	<u>4,571,357</u>
<u>Unassigned:</u>							
General	<u>706,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>706,954</u>
Total Unassigned	<u>706,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>706,954</u>
Total Fund Balances	<u>\$ 957,698</u>	<u>\$ 3,367,065</u>	<u>\$ 129</u>	<u>\$ 1,601,758</u>	<u>\$ 272,197</u>	<u>\$ 2,099,944</u>	<u>\$ 8,298,791</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

18. TAX ABATEMENTS (GASB #77)

As of June 30, 2018, 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

18. 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

18. 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

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

For the fiscal year ended June 30, 2018, Multnomah County School District No. 3 had abated property taxes totaling \$233,927 under these programs.

<u>Tax Abatement Program</u>	<u>Fiscal Year</u>	<u>Percentage of Total</u>
New Housing HBO	\$ 4,442	2%
COP Low Income Rental Housing	8,678	4%
Religious School/Student	29,239	12%
IND Appr of Trng Trust	10,098	4%
Enterprise Zone	179,346	77%
Alternative Energy	2,124	1%
Total	<u>\$ 233,927</u>	<u>100%</u>

19. SUBSEQUENT EVENT

The Board of Directors approved the District's participation in Oregon Education District Full Faith and Credit Pension Bonds, Series 2018, the proceeds of which will be used to finance a portion of the unfunded actuarial liability of PERS. The estimated delivery date is December 20, 2018 in the amount of \$20,230,000, payable over 20 years.

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REQUIRED SUPPLEMENTAL INFORMATION

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MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF CHANGES IN TOTAL POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY
AND RELATED RATIOS STIPEND BENEFITS
For the Year Ended June 30, 2018

Total Pension Liability at June 30, 2017	\$	489,226
Changes for the year:		
Service Cost	24,188	
Interest	17,886	
Changes of Benefit Terms	-	
Differences Between Expected and Actual Experience	-	
Changes of Assumptions or Other Input	-	
Benefit Payments	<u>(48,714)</u>	
Net Changes for the Year		(6,640)
Total Pension Liability at June 30, 2018	\$	<u><u>482,586</u></u>
Covered Payroll		13,327,001
Net Single Employer Pension Plan as a Percentage of Covered Payroll		3.62%

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
HEALTH INSURANCE SUBSIDY
For the Year Ended June 30, 2018

Total OPEB Liability at June 30, 2017	\$	2,174,136
Changes for the year:		
Service Cost	115,333	
Interest	81,002	
Changes of Benefit Terms	-	
Differences Between Expected and Actual Experience	-	
Changes of Assumptions or Other Input	-	
Benefit Payments	<u>(143,474)</u>	
Net Changes for the Year		52,861
Total OPEB Liability at June 30, 2018	\$	<u>2,226,997</u>
Covered Payroll		18,337,003
Net Single Employer Pension Plan as a Percentage of Covered Payroll		12.14%

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

REQUIRED SUPPLEMENTARY INFORMATION

For the fiscal year ended June 30, 2018

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
2018	0.24 %	\$ 32,625,181	\$ 18,320,426	178.1 %	83.1 %
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

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2018	\$ 4,295,742	\$ 4,295,742	\$ -	\$ 19,052,826	23.5 %
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 # 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, 2018

	<u>General Fund</u>		ACTUAL	VARIANCE TO FINAL BUDGET
	BUDGET			
	ORIGINAL	FINAL		
REVENUES:				
Local Sources:				
Property Taxes	\$ 16,700,000	\$ 17,630,000	\$ 18,547,185	\$ 917,185
Interest	70,000	112,973	229,883	116,910
Local Sources	213,728	213,728	285,774	72,046
Intermediate Sources:	307,000	313,460	304,323	(9,137)
State Sources:	16,675,079	15,790,234	14,559,288	(1,230,946)
Federal Sources:	-	-	10,311	10,311
Total Revenues	<u>33,965,807</u>	<u>34,060,395</u>	<u>33,936,764</u>	<u>(123,631)</u>
EXPENDITURES:				
Instruction:				
Salaries	11,207,185	11,174,027	11,069,100	104,927
Employee Benefits	7,407,950	7,414,376	7,083,836	330,540
Purchased Services	2,002,260	2,121,527	2,865,092	(743,565)
Supplies and Materials	273,605	261,553	207,963	53,590
Other Objects	8,500	15,981	22,163	(6,182)
Total Instruction	<u>20,899,500</u>	<u>20,987,464 (1)</u>	<u>21,248,154</u>	<u>(260,690)</u>
Support Services:				
Salaries	5,820,330	5,702,090	5,635,620	66,470
Employee Benefits	4,143,320	4,206,381	3,870,216	336,165
Purchased Services	2,807,990	2,820,857	2,488,224	332,633
Supplies and Materials	574,592	576,292	378,027	198,265
Other Objects	614,123	664,286	936,776	(272,490)
Total Support Services	<u>13,960,355</u>	<u>13,969,906 (1)</u>	<u>13,308,863</u>	<u>661,043</u>
Contingency	<u>250,000</u>	<u>250,000 (1)</u>	<u>-</u>	<u>250,000</u>
Total Expenditures	<u>35,109,855</u>	<u>35,207,370</u>	<u>34,557,017</u>	<u>650,353</u>
Excess of Revenues Over (Under) Expenditures	(1,144,048)	(1,146,975)	(620,253)	526,722
Other Financing Sources, (Uses):				
Sale of Capital Assets	5,000	5,000	5,972	972
Transfers In	700,000	700,000	550,000	(150,000)
Transfers Out	(222,857)	(222,857) (1)	(142,857)	80,000
Total Other Financing Sources, (Uses)	<u>482,143</u>	<u>482,143</u>	<u>413,115</u>	<u>(69,028)</u>
Net Change in Fund Balance	(661,905)	(664,832)	(207,138)	457,694
Beginning Fund Balance	<u>911,905</u>	<u>914,832</u>	<u>914,836</u>	<u>4</u>
Ending Fund Balance	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>707,698</u>	<u>\$ 457,698</u>

RECONCILIATION TO GAAP FUND BALANCE

	PERS Stabilization Fund	250,000
(1) Appropriation Level	General Fund Ending Fund Balance	<u>\$ 957,698</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, 2018

Thompson Special Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources	\$ 652,144	\$ 652,144	\$ 686,267	\$ 34,123
Total Revenues	652,144	652,144	686,267	34,123
EXPENDITURES:				
Support Services:				
Salaries	139,254	138,730	108,404	30,326
Employee Benefits	41,616	70,227	37,389	32,838
Purchased Services	934,469	884,876	461,894	422,982
Supplies and Materials	330,579	330,579	76,334	254,245
Capital Outlay	101,000	65,000	-	65,000
Other Objects	-	55,402	40,584	14,818
Total Support Services	1,546,918	1,544,814 (1)	724,605	820,209
Enterprise and Community Service:				
Salaries	78,455	86,682	92,697	(6,015)
Employee Benefits	35,691	48,971	22,546	26,425
Purchased Services	13,060	13,060	-	13,060
Supplies and Materials	912	911	-	911
Total Enterprise and Community Service	128,118	149,624 (1)	115,243	34,381
Contingency	231,804	231,804 (1)	-	231,804
Total Expenditures	1,906,840	1,926,242	839,848	1,086,394
Excess of Revenues Over (Under) Expenditures	(1,254,696)	(1,274,098)	(153,581)	1,120,517
Other Financing Sources, (Uses):				
Transfers Out	(300,000)	(300,000) (1)	(300,000)	-
Total Other Financing Sources, (Uses)	(300,000)	(300,000)	(300,000)	-
Net Change in Fund Balance	(1,554,696)	(1,574,098)	(453,581)	1,120,517
Beginning Fund Balance	3,801,245	3,820,647	3,820,646	(1)
Ending Fund Balance	\$ 2,246,549	\$ 2,246,549	\$ 3,367,065	\$ 1,120,516

(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, 2018

Federal and State Grants Fund

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Local Sources	\$ 18,800	\$ 17,535	\$ 15,757	\$ (1,778)
State Sources	537,400	651,178	461,936	(189,242)
Federal Sources	2,666,917	2,696,857	2,452,265	(244,592)
Total Revenues	3,223,117	3,365,570	2,929,958	(435,612)
EXPENDITURES:				
Instruction:				
Salaries	1,510,425	1,398,095	1,379,931	18,164
Employee Benefits	894,252	1,002,855	879,622	123,233
Purchased Services	331,730	161,083	50,767	110,316
Supplies and Materials	62,957	268,237	258,300	9,937
Other Objects	59,772	80,577	39,407	41,170
Total Instruction	2,859,136	2,910,847 (1)	2,608,027	302,820
Support Services:				
Salaries	82,806	97,589	91,366	6,223
Employee Benefits	44,296	47,820	38,065	9,755
Purchased Services	138,404	176,577	121,853	54,724
Supplies and Materials	24,593	23,824	9,784	14,040
Other Objects	50,687	65,077	30,662	34,415
Total Support Services	340,786	410,887 (1)	291,730	119,157
Enterprise and Community Services:				
Salaries	-	2,625	1,460	1,165
Employee Benefits	-	1,013	553	460
Purchased Services	3,620	15,171	15,179	(8)
Supplies and Materials	6,575	12,027	6,462	5,565
Other Objects	13,000	13,000	6,418	6,582
Total Enterprise and Community Services	23,195	43,836 (1)	30,072	13,764
Total Expenditures	3,223,117	3,365,570	2,929,829	435,741
Net Change in Fund Balance	-	-	129	129
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ 129	\$ 129

(1) Appropriation Level

SUPPLEMENTARY INFORMATION

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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, 2018

	<u>Debt Service Fund</u>		<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
	<u>BUDGET</u>			
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Local Sources:				
Property Taxes	\$ 3,793,883	\$ 3,793,883	\$ 3,640,398	\$ (153,485)
Interest	10,000	27,913	67,087	39,174
Federal Sources	683,550	1,028,633	1,028,633	-
Total Revenues	<u>4,487,433</u>	<u>4,850,429</u>	<u>4,736,118</u>	<u>(114,311)</u>
EXPENDITURES:				
Debt Service:				
Principal	1,954,011	1,954,011	1,953,903	108
Interest	2,604,800	2,604,800	2,604,168	632
Total Debt Service	<u>4,558,811</u>	<u>4,558,811 (1)</u>	<u>4,558,071</u>	<u>740</u>
Contingency	237,634	600,630 (1)	-	600,630
Total Expenditures	<u>4,796,445</u>	<u>5,159,441</u>	<u>4,558,071</u>	<u>601,370</u>
Excess of Revenues Over (Under) Expenditures	(309,012)	(309,012)	178,047	487,059
Other Financing Sources, (Uses):				
Transfers In	309,012	309,012	309,011	(1)
Total Other Financing Sources, (Uses)	<u>309,012</u>	<u>309,012</u>	<u>309,011</u>	<u>(1)</u>
Net Change in Fund Balance	-	-	487,058	487,058
Beginning Fund Balance	<u>1,671,738</u>	<u>1,114,701</u>	<u>1,114,700</u>	<u>(1)</u>
Ending Fund Balance	<u>\$ 1,671,738</u>	<u>\$ 1,114,701</u>	<u>\$ 1,601,758</u>	<u>\$ 487,057</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, 2018

Capital GO Bond Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources:				
Interest	\$ 30,000	\$ 20,000	\$ 21,558	\$ 1,558
Total Revenues	30,000	20,000	21,558	1,558
EXPENDITURES:				
Instruction:				
Supplies and Materials	-	275,000	118,200	156,800
Total Instruction	-	275,000 (1)	118,200	156,800
Facilities Acquisition and Construction:				
Purchased Services	137,203	137,203	7,227	129,976
Supplies and Materials	100,000	100,000	27,589	72,411
Capital Outlay	845,262	740,298	828,846	(88,548)
Total Facilities Acquisition and Construction	1,082,465	977,501 (1)	863,662	113,839
Total Expenditures	1,082,465	1,252,501	981,862	270,639
Net Change in Fund Balance	(1,052,465)	(1,232,501)	(960,304)	272,197
Beginning Fund Balance	1,052,465	1,232,501	1,232,501	-
Ending Fund Balance	\$ -	\$ -	\$ 272,197	\$ 272,197

(1) Appropriation Level

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS

June 30, 2018

	COMBINED NONMAJOR SPECIAL REVENUE FUNDS	COMBINED NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS:			
Cash and Investments	\$ 1,231,404	\$ 1,407,941	\$ 2,639,345
Accounts and Grants Receivable	121,232	48,459	169,691
Total Assets	\$ 1,352,636	\$ 1,456,400	\$ 2,809,036
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 80,356	\$ 383,278	\$ 463,634
Due To Other Funds	245,458	-	245,458
Total Liabilities	325,814	383,278	709,092
Fund Balances:			
Restricted	208,097	937,555	1,145,652
Committed	818,725	135,567	954,292
Total Fund Balances	1,026,822	1,073,122	2,099,944
Total Liabilities and Fund Balances	\$ 1,352,636	\$ 1,456,400	\$ 2,809,036

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

COMBINING BALANCE SHEET
SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	TAX ANTICIPATION NOTE FUND	FOOD SERVICE FUND	RISK MANAGEMENT FUND	PRIVATE GRANTS FUND
ASSETS:				
Cash and Investments	\$ 64,037	\$ 199,392	\$ 162,575	\$ 144,026
Accounts and Grants Receivable	-	121,232	-	-
Total Assets	\$ 64,037	\$ 320,624	\$ 162,575	\$ 144,026
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ -	\$ 63,657	\$ 5,224	\$ 11,475
Due To Other Funds	-	245,458	-	-
Total Liabilities	-	309,115	5,224	11,475
Fund Balances:				
Restricted	64,037	11,509	-	132,551
Committed	-	-	157,351	-
Total Fund Balances	64,037	11,509	157,351	132,551
Total Liabilities and Fund Balances	\$ 64,037	\$ 320,624	\$ 162,575	\$ 144,026

TRANSPORTATION FUND	TECHNOLOGY REPLACEMENT FUND	TEXTBOOK FUND	EARLY RETIREMENT FUND	STUDENT BODY FUND	TOTAL NONMAJOR SPEICAL REVNUUE FUNDS
\$ 73,458	\$ 83,006	\$ 82,664	\$ 22,895	\$ 399,351	\$ 1,231,404
-	-	-	-	-	121,232
<u>\$ 73,458</u>	<u>\$ 83,006</u>	<u>\$ 82,664</u>	<u>\$ 22,895</u>	<u>\$ 399,351</u>	<u>\$ 1,352,636</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,356
-	-	-	-	-	245,458
-	-	-	-	-	325,814
-	-	-	-	-	208,097
<u>73,458</u>	<u>83,006</u>	<u>82,664</u>	<u>22,895</u>	<u>399,351</u>	<u>818,725</u>
<u>73,458</u>	<u>83,006</u>	<u>82,664</u>	<u>22,895</u>	<u>399,351</u>	<u>1,026,822</u>
<u>\$ 73,458</u>	<u>\$ 83,006</u>	<u>\$ 82,664</u>	<u>\$ 22,895</u>	<u>\$ 399,351</u>	<u>\$ 1,352,636</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

COMBINING BALANCE SHEET
CAPITAL PROJECTS NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	CAPITAL PROJECTS FUND	CAPITAL EQUIPMENT FUND	CAPITAL FLEET REPLACEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
ASSETS:				
Cash and Investments	\$ 836,692	\$ 135,567	\$ 435,682	\$ 1,407,941
Accounts and Grants Receivable	48,459	-	-	48,459
Total Assets	\$ 885,151	\$ 135,567	\$ 435,682	\$ 1,456,400
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 383,278	\$ 383,278
Total Liabilities	-	-	383,278	383,278
Fund Balances:				
Restricted	885,151	-	52,404	937,555
Committed	-	135,567	-	135,567
Total Fund Balances	885,151	135,567	52,404	1,073,122
Total Liabilities and Fund Balances	\$ 885,151	\$ 135,567	\$ 435,682	\$ 1,456,400

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, 2018

	COMBINED NONMAJOR SPECIAL REVENUE FUNDS	COMBINED NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:			
Local Sources:			
Interest	\$ 1,080	\$ 8,151	\$ 9,231
Local Sources	1,071,722	168,045	1,239,767
Intermediate Sources	10,000	-	10,000
State Sources	196,087	-	196,087
Federal Sources	1,845,801	-	1,845,801
	<u>3,124,690</u>	<u>176,196</u>	<u>3,300,886</u>
Total Revenues			
EXPENDITURES:			
Instruction	872,586	-	872,586
Support Services	308,271	425,142	733,413
Enterprise and Community Services	2,025,593	-	2,025,593
	<u>3,206,450</u>	<u>425,142</u>	<u>3,631,592</u>
Total Expenditures			
Excess of Revenues Over, - Under Expenditures	(81,760)	(248,946)	(330,706)
Other Financing Sources, (Uses):			
Transfers Out	(166,154)	-	(166,154)
	<u>(166,154)</u>	<u>-</u>	<u>(166,154)</u>
Total Other Financing Sources, (Uses)			
Net Change in Fund Balance	(247,914)	(248,946)	(496,860)
Beginning Fund Balance	<u>1,274,736</u>	<u>1,322,068</u>	<u>2,596,804</u>
Ending Fund Balance	<u>\$ 1,026,822</u>	<u>\$ 1,073,122</u>	<u>\$ 2,099,944</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, 2018

	TAX ANTICIPATION NOTE FUND	FOOD SERVICE FUND	RISK MANAGEMENT FUND	PRIVATE GRANTS FUND
REVENUES:				
Local Sources:				
Interest	\$ 1,080	\$ -	\$ -	\$ -
Local Sources	-	63,868	6,494	154,889
Intermediate Sources	-	-	-	10,000
State Sources	-	18,727	-	-
Federal Sources	-	1,841,285	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	1,080	1,923,880	6,494	164,889
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES:				
Instruction	-	-	-	35,921
Support Services	-	-	67,386	78,648
Enterprise and Community Services	-	2,015,391	-	10,202
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	-	2,015,391	67,386	124,771
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenues Over, - Under Expenditures	1,080	(91,511)	(60,892)	40,118
Other Financing Sources, (Uses):				
Transfers Out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources, (Uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	1,080	(91,511)	(60,892)	40,118
Beginning Fund Balance	<hr/> 62,957	<hr/> 103,020	<hr/> 218,243	<hr/> 92,433
Ending Fund Balance	<hr/> \$ 64,037	<hr/> \$ 11,509	<hr/> \$ 157,351	<hr/> \$ 132,551

TRANS- PORTATION FUND	TECHNOLOGY REPLACEMENT FUND	TEXTBOOK FUND	EARLY RETIREMENT FUND	STUDENT BODY FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,080
-	39,919	-	42,100	764,452	1,071,722
-	-	-	-	-	10,000
177,360	-	-	-	-	196,087
-	-	4,516	-	-	1,845,801
<u>177,360</u>	<u>39,919</u>	<u>4,516</u>	<u>42,100</u>	<u>764,452</u>	<u>3,124,690</u>
-	-	181,200	-	655,465	872,586
834	18,027	-	143,376	-	308,271
-	-	-	-	-	2,025,593
<u>834</u>	<u>18,027</u>	<u>181,200</u>	<u>143,376</u>	<u>655,465</u>	<u>3,206,450</u>
176,526	21,892	(176,684)	(101,276)	108,987	(81,760)
<u>(166,154)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(166,154)</u>
<u>(166,154)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(166,154)</u>
10,372	21,892	(176,684)	(101,276)	108,987	(247,914)
<u>63,086</u>	<u>61,114</u>	<u>259,348</u>	<u>124,171</u>	<u>290,364</u>	<u>1,274,736</u>
<u>\$ 73,458</u>	<u>\$ 83,006</u>	<u>\$ 82,664</u>	<u>\$ 22,895</u>	<u>\$ 399,351</u>	<u>\$ 1,026,822</u>

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, 2018

	CAPITAL PROJECTS FUND	CAPITAL EQUIPMENT FUND	CAPITAL FLEET REPLACEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
REVENUES:				
Local Sources:				
Interest	\$ -	\$ -	\$ 8,151	\$ 8,151
Other Local Sources	168,045	-	-	168,045
Total Revenues	<u>168,045</u>	<u>-</u>	<u>8,151</u>	<u>176,196</u>
EXPENDITURES:				
Support Services	<u>3,331</u>	<u>-</u>	<u>421,811</u>	<u>425,142</u>
Total Expenditures	<u>3,331</u>	<u>-</u>	<u>421,811</u>	<u>425,142</u>
Net Change in Fund Balance	164,714	-	(413,660)	(248,946)
Beginning Fund Balance	<u>720,437</u>	<u>135,567</u>	<u>466,064</u>	<u>1,322,068</u>
Ending Fund Balance	<u>\$ 885,151</u>	<u>\$ 135,567</u>	<u>\$ 52,404</u>	<u>\$ 1,073,122</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, 2018

	<u>Tax Anticipation Note Fund</u>			VARIANCE TO FINAL BUDGET
	BUDGET		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
Local Sources:				
Interest	\$ 2,000	\$ 2,000	\$ 1,080	\$ (920)
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>1,080</u>	<u>(920)</u>
EXPENDITURES:				
Support Services:				
Purchased Services	<u>9,896</u>	<u>9,957</u>	<u>-</u>	<u>9,957</u>
Total Support Services	<u>9,896</u>	<u>9,957 (1)</u>	<u>-</u>	<u>9,957</u>
Debt Services				
Principal	4,035,000	4,035,000	-	4,035,000
Interest	<u>55,000</u>	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Total Debt Services	<u>4,090,000</u>	<u>4,090,000 (1)</u>	<u>-</u>	<u>4,090,000</u>
Total Expenditures	<u>4,099,896</u>	<u>4,099,957</u>	<u>-</u>	<u>4,099,957</u>
Excess of Revenues Over (Under) Expenditures	(4,097,896)	(4,097,957)	1,080	(4,099,037)
Other Financing Sources, (Uses):				
Proceeds	<u>4,035,000</u>	<u>4,035,000</u>	<u>-</u>	<u>(4,035,000)</u>
Total Other Financing Sources, (Uses)	<u>4,035,000</u>	<u>4,035,000</u>	<u>-</u>	<u>(4,035,000)</u>
Net Change in Fund Balance	(62,896)	(62,957)	1,080	64,037
Beginning Fund Balance	<u>62,896</u>	<u>62,957</u>	<u>62,957</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,037</u>	<u>\$ 64,037</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, 2018

<u>Food Service Fund</u>				
	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources	\$ 62,000	\$ 62,000	\$ 63,868	\$ 1,868
State Sources	22,000	49,559	18,727	(30,832)
Federal Sources	1,982,000	1,982,000	1,841,285	(140,715)
Total Revenues	<u>2,066,000</u>	<u>2,093,559</u>	<u>1,923,880</u>	<u>(169,679)</u>
EXPENDITURES:				
Enterprise and Community Services:				
Salaries	463,254	444,512	417,570	26,942
Employee Benefits	354,302	424,033	340,886	83,147
Purchased Services	254,354	254,354	190,229	64,125
Supplies and Materials	1,071,675	1,008,951	1,037,510	(28,559)
Capital Outlay	47,500	47,500	-	47,500
Other Objects	6,000	6,000	29,196	(23,196)
Total Enterprise and Community Services	<u>2,197,085</u>	<u>2,185,350 (1)</u>	<u>2,015,391</u>	<u>169,959</u>
Net Change in Fund Balance	(131,085)	(91,791)	(91,511)	280
Beginning Fund Balance	<u>142,314</u>	<u>103,020</u>	<u>103,020</u>	<u>-</u>
Ending Fund Balance	<u>\$ 11,229</u>	<u>\$ 11,229</u>	<u>\$ 11,509</u>	<u>\$ 280</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, 2018

Risk Management Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources	\$ 12,000	\$ 12,000	\$ 6,494	\$ (5,506)
Total Revenues	12,000	12,000	6,494	(5,506)
EXPENDITURES:				
Support Services:				
Salaries	1,000	1,000	-	1,000
Employee Benefits	127,110	127,110	3,574	123,536
Purchased Services	45,000	45,000	40,745	4,255
Supplies and Materials	12,775	12,775	1,973	10,802
Capital Outlay	3,000	3,000	-	3,000
Other Objects	12,000	12,000	21,094	(9,094)
Total Support Services	200,885	200,885 (1)	67,386	133,499
Total Expenditures	200,885	200,885	67,386	133,499
Net Change in Fund Balance	(188,885)	(188,885)	(60,892)	127,993
Beginning Fund Balance	233,776	218,243	218,243	-
Ending Fund Balance	<u>\$ 44,891</u>	<u>\$ 29,358</u>	<u>\$ 157,351</u>	<u>\$ 127,993</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, 2018

Private Grants Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources	\$ 90,000	\$ 139,709	\$ 154,889	\$ 15,180
Intermediate Sources	-	10,000	10,000	-
Total Revenues	<u>90,000</u>	<u>149,709</u>	<u>164,889</u>	<u>15,180</u>
EXPENDITURES:				
Instruction:				
Purchased Services	15,000	18,496	891	17,605
Supplies and Materials	58,607	74,313	33,143	41,170
Capital Outlay	21,810	1,690	-	1,690
Other Objects	-	4,449	1,887	2,562
Total Instruction	<u>95,417</u>	<u>98,948 (1)</u>	<u>35,921</u>	<u>63,027</u>
Support Services:				
Salaries	27,231	3,000	1,575	1,425
Employee Benefits	19,469	1,177	134	1,043
Purchased Services	19,877	20,649	15,650	4,999
Supplies and Materials	30,435	92,782	52,271	40,511
Other Objects	5,895	12,716	9,018	3,698
Total Support Services	<u>102,907</u>	<u>130,324 (1)</u>	<u>78,648</u>	<u>51,676</u>
Facilities Acquisition and Construction				
Purchased Services	-	10,000	8,197	1,803
Supplies and Materials	-	2,872	2,005	867
Total Facilities Acquisition and Construction	<u>-</u>	<u>12,872 (1)</u>	<u>10,202</u>	<u>2,670</u>
Total Expenditures	<u>198,324</u>	<u>242,144</u>	<u>124,771</u>	<u>117,373</u>
Net Change in Fund Balance	(108,324)	(92,435)	40,118	132,553
Beginning Fund Balance	<u>108,324</u>	<u>92,435</u>	<u>92,433</u>	<u>(2)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,551</u>	<u>\$ 132,551</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, 2018

Transportation Fund

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
State Sources	\$ 167,000	\$ 167,000	\$ 177,360	\$ 10,360
Total Revenues	<u>167,000</u>	<u>167,000</u>	<u>177,360</u>	<u>10,360</u>
EXPENDITURES:				
Support Services:				
Supplies and Materials	2,000	2,000	834	1,166
Capital Outlay	<u>223,450</u>	<u>56,932</u>	<u>-</u>	<u>56,932</u>
Total Expenditures	<u>225,450</u>	<u>58,932 (1)</u>	<u>834</u>	<u>58,098</u>
Excess of Revenues Over (Under) Expenditures	(58,450)	108,068	176,526	68,458
Other Financing Sources, (Uses):				
Transfers Out	<u>(166,154)</u>	<u>(166,154) (1)</u>	<u>(166,154)</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>(166,154)</u>	<u>(166,154)</u>	<u>(166,154)</u>	<u>-</u>
Net Change in Fund Balance	(224,604)	(58,086)	10,372	68,458
Beginning Fund Balance	<u>229,604</u>	<u>63,086</u>	<u>63,086</u>	<u>-</u>
Ending Fund Balance	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 73,458</u>	<u>\$ 68,458</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, 2018

Technology Replacement Fund

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Local Sources	\$ 35,000	\$ 35,000	\$ 39,919	\$ 4,919
Total Revenues	<u>35,000</u>	<u>35,000</u>	<u>39,919</u>	<u>4,919</u>
EXPENDITURES:				
Support Services:				
Purchased Services	35,000	35,000	12,570	22,430
Supplies and Materials	48,461	56,114	3,317	52,797
Other Objects	-	-	2,140	(2,140)
Total Expenditures	<u>83,461</u>	<u>91,114 (1)</u>	<u>18,027</u>	<u>73,087</u>
Net Change in Fund Balance	(48,461)	(56,114)	21,892	78,006
Beginning Fund Balance	<u>53,461</u>	<u>61,114</u>	<u>61,114</u>	<u>-</u>
Ending Fund Balance	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 83,006</u>	<u>\$ 78,006</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, 2018

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>Textbook Fund</u>				
REVENUES:				
Federal Sources	\$ -	\$ -	\$ 4,516	\$ 4,516
Total Revenues	-	-	4,516	4,516
EXPENDITURES:				
Instruction:				
Salaries	37,200	37,200	12,794	24,406
Employee Benefits	28,800	28,800	4,617	24,183
Purchased Services	73,834	73,834	1,338	72,496
Supplies & Materials	160,000	130,000	134,212	(4,212)
Other Objects	5,000	39,514	28,239	11,275
Total Expenditures	304,834	309,348 (1)	181,200	128,148
Excess of Revenues Over (Under) Expenditures	(304,834)	(309,348)	(176,684)	132,664
Other Financing Sources, (Uses):				
Transfers In	50,000	50,000	-	(50,000)
Total Other Financing Sources, (Uses)	50,000	50,000	-	(50,000)
Net Change in Fund Balance	(254,834)	(259,348)	(176,684)	82,664
Beginning Fund Balance	254,834	259,348	259,348	-
Ending Fund Balance	\$ -	\$ -	\$ 82,664	\$ 82,664

(1) Appropriation Level

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, 2018

Early Retirement Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources	\$ 14,000	\$ 42,100	\$ 42,100	\$ -
Total Revenues	14,000	42,100	42,100	-
EXPENDITURES:				
Support Services:				
Salaries	158,310	173,310	133,688	39,622
Employee Benefits	13,500	22,961	9,688	13,273
Total Expenditures	171,810	196,271 (1)	143,376	52,895
Excess of Revenues Over (Under) Expenditures	(157,810)	(154,171)	(101,276)	52,895
Other Financing Sources, (Uses):				
Transfers In	30,000	30,000	-	(30,000)
Total Other Financing Sources, (Uses)	30,000	30,000	-	(30,000)
Net Change in Fund Balance	(127,810)	(124,171)	(101,276)	22,895
Beginning Fund Balance	127,810	124,171	124,171	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,895</u>	<u>\$ 22,895</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, 2018

Student Body Fund

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Local Sources	\$ 75,201	\$ 650,000	\$ 764,452	\$ 114,452
Total Revenues	<u>75,201</u>	<u>650,000</u>	<u>764,452</u>	<u>114,452</u>
EXPENDITURES:				
Instruction:				
Supplies and Materials	<u>375,000</u>	<u>940,364</u>	<u>655,465</u>	<u>284,899</u>
Total Expenditures	<u>375,000</u>	<u>940,364 (1)</u>	<u>655,465</u>	<u>284,899</u>
Net Change in Fund Balance	(299,799)	(290,364)	108,987	399,351
Beginning Fund Balance	<u>299,799</u>	<u>290,364</u>	<u>290,364</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 399,351</u>	<u>\$ 399,351</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, 2018

Capital Projects Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Revenue	\$ 235,000	\$ 235,000	\$ 168,045	\$ (66,955)
Total Revenues	235,000	235,000	168,045	(66,955)
EXPENDITURES:				
Support Services:				
Purchased Services	180,000	177,849	-	177,849
Capital Outlay	652,588	652,588	-	652,588
Other Objects	-	-	3,331	(3,331)
Total Support Services	832,588	830,437 (1)	3,331	827,106
Contingency	75,000	75,000 (1)	-	75,000
Total Expenditures	907,588	905,437	3,331	902,106
Net Change in Fund Balance	(672,588)	(670,437)	164,714	835,151
Beginning Fund Balance	722,588	720,437	720,437	-
Ending Fund Balance	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 885,151</u>	<u>\$ 835,151</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, 2018

Capital Equipment Fund

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES:				
Support Services				
Supplies and Materials	\$ 135,567	\$ 135,567 (1)	\$ -	\$ 135,567
Total Expenditures	<u>135,567</u>	<u>135,567</u>	<u>-</u>	<u>135,567</u>
Net Change in Fund Balance	(135,567)	(135,567)	-	135,567
Beginning Fund Balance	<u>135,567</u>	<u>135,567</u>	<u>135,567</u>	<u>-</u>
Ending Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 135,567</u></u>	<u><u>\$ 135,567</u></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, 2018

Capital Fleet Replacement Fund

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Local Sources				
Interest	\$ 5,000	\$ 7,000	\$ 8,151	\$ 1,151
Total Revenues	5,000	7,000	8,151	1,151
EXPENDITURES:				
Support Services:				
Capital Outlay	465,669	473,064	421,811	51,253
Total Expenditures	465,669	473,064 (1)	421,811	51,253
Net Change in Fund Balance	(460,669)	(466,064)	(413,660)	52,404
Beginning Fund Balance	460,669	466,064	466,064	-
Ending Fund Balance	\$ -	\$ -	\$ 52,404	\$ 52,404

(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, 2018

PERS Stabilization Fund

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES:				
Support Services:				
Employee Benefits	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Total Expenditures	<u>100,000</u>	<u>100,000 (1)</u>	<u>-</u>	<u>100,000</u>
Excess of Revenues Over (Under) Expenditures	(100,000)	(100,000)	-	100,000
Other Financing Sources, (Uses):				
Transfers Out	<u>(400,000)</u>	<u>(400,000) (1)</u>	<u>(250,000)</u>	<u>150,000</u>
Total Other Financing Sources (Uses)	<u>(400,000)</u>	<u>(400,000)</u>	<u>(250,000)</u>	<u>150,000</u>
Net Change in Fund Balance	(500,000)	(500,000)	(250,000)	250,000
Beginning Fund Balance	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 250,000</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 PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - GENERAL FUND
For the Year Ended June 30, 2018

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/17	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/18
Current:						
2017-2018	\$ 19,349,952	\$ 508,690	\$ (150,102)	\$ 6,492	\$ 18,397,625	\$ 293,535
Prior Years:						
2016-2017	351,244	(49)	(86,434)	9,457	131,314	133,544
2015-2016	206,930	(68)	(66,642)	9,201	44,784	95,573
2014-2015	154,425	(32)	(13,906)	11,815	35,653	104,898
2013-2014	111,841	(1)	(8,356)	7,298	18,606	84,880
Prior	284,167	(1)	(13,804)	3,754	4,398	265,965
Total Prior	1,108,607	(151)	(189,142)	41,525	234,755	684,860
Total General Fund	\$ 20,458,559	\$ 508,539	\$ (339,244)	\$ 48,017	\$ 18,632,380	\$ 978,395

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurers Above	\$ 18,632,380
June 30, 2017	(48,643)
June 30, 2018	92,537
Taxes In Lieu	(129,089)
Total Revenue	<u>\$ 18,547,185</u>

**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, 2018**

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/17	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/18
Current:						
2017-2018	\$ 3,794,149	\$ 99,744	\$ (29,433)	\$ 1,273	\$ 3,607,416	\$ 57,556
Prior Years:						
2016-2017	70,602	(10)	(17,374)	1,901	26,395	26,843
2015-2016	45,214	(15)	(14,561)	2,010	9,785	20,882
2014-2015	32,721	(7)	(2,947)	2,504	7,554	22,227
2013-2014	28,135	-	(2,102)	1,836	4,681	21,353
Prior	69,068	-	(3,198)	973	1,122	64,750
Total Prior	245,740	(32)	(40,182)	9,224	49,537	156,055
Total Debt Service Fund	\$ 4,039,889	\$ 99,712	\$ (69,615)	\$ 10,497	\$ 3,656,953	\$ 213,611

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurers Above	\$ 3,656,953
Accrual of Receivables:	
June 30, 2017	(10,554)
June 30, 2018	18,483
Taxes In Lieu	(24,484)
Total Revenue	<u>\$ 3,640,398</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

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	41129	7/1/16-9/30/17	\$ 8,532
	Oregon Department of Education	84.010	45564	7/1/17-6/30/18	1,012,050
	Oregon Department of Education	84.010	41861	7/1/16-9/30/17	17,691
	Oregon Department of Education	84.010	41862	7/1/16-9/30/17	16,169
	Oregon Department of Education	84.010	41863	7/1/16-9/30/17	6,907
	Oregon Department of Education	84.010	41928	7/1/16-9/30/17	74,849
	Oregon Department of Education	84.010	46173	7/1/17-6/30/18	<u>320,306</u>
Total Title I Grants to Local Educational Agencies					<u>1,456,504</u>
Special Education Cluster (IDEA)					
	Oregon Department of Education	84.027	44466	7/1/17-6/30/18	3,734
	Oregon Department of Education	84.027	41597	7/1/16-9/30/18	50,980
	Oregon Department of Education	84.027	42724	10/1/16-9/30/17	2,102
	Oregon Department of Education	84.027	46510	10/1/17-9/30/18	5,084
	Oregon Department of Education	84.027	45070	7/1/17-6/30/18	549
	Oregon Department of Education	84.027	45236	7/1/17-9/30/18	494,026
	Oregon Department of Education	84.173	48473	6/1/17-9/30/17	<u>300</u>
Total Special Education Cluster (IDEA)					<u>556,775</u>
Education for the Homeless Children and Youth	Oregon Department of Education	84.196	40510	7/1/16-9/30/17	<u>14,768</u>
Student Support and Academic Enrichment State Grant	Oregon Department of Education	84.424	47,793	7/1/17-9/30/18	<u>23,070</u>
Supporting Effective Instruction State Grant					
	Oregon Department of Education	84.367	41384	7/1/16-9/30/17	2,376
	Oregon Department of Education	84.367	45880	7/1/17-9/30/18	<u>112,551</u>
Total Supporting Effective Instruction State Grant					<u>114,927</u>
English Language Acquisition State Grants					
	Oregon Department of Education	84.365	41790	7/1/16-9/30/17	14,870
	Oregon Department of Education	84.365	44245	7/1/17-9/30/18	<u>34,064</u>
Total English Language Acquisition State Grants					<u>48,934</u>
Total U.S. Department of Education					<u>\$ 2,214,978</u>

MULTNOMAH COUNTY SCHOOL DISTRICT NO. 3
MULTNOMAH COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

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	7/1/17-6/30/18	\$ 500,714
National School Lunch	Oregon Department of Education	10.555	Fund 202	7/1/17-6/30/18	976,720
Donated Commodity National School Lunch Program	Oregon Department of Education	10.555	Fund 202	7/1/17-6/30/18	114,625
Summer Food Service Program for Children	Oregon Department of Education	10.559	Fund 202	7/1/17-6/30/18	41,903
Total Child Nutrition Cluster					1,633,962 (1)
Child and Adult Food Care Program	Oregon Department of Education	10.558	Fund 202	7/1/17-6/30/18	115,364
Fresh Fruit and Vegetable Program	Oregon Department of Education	10.582	*see list	7/1/17-6/30/18	91,050
State Administrative Expenses for Child Nutrition	Oregon Department of Education	10.560	Fund 202	7/1/17-6/30/18	910
Forest Service Schools and Roads Cluster	Multnomah County	10.665	Fund 100	7/1/17-6/30/18	1,569
Total U. S. Department of Agriculture					1,842,855
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	7/1/17-6/30/18	237,288
Foster Care Title IV-E		93.658	47506	7/1/17-6/30/19	8,742
Adolescence and Communities Together (ACT)		93.297	Fund 285	7/1/16-6/30/20	4,516
Total U.S. Department of Health and Human Services					250,546
Total Federal Financial Assistance					\$ 4,308,379

(1) - Major Program

* List of Fresh Fruit and Vegetable Grant Numbers: 43011, 43064, 43065, 43066, 46338, 46641, 46642, 46643

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INDEPENDENT AUDITORS' REPORT AS REQUIRED BY
OREGON STATE REGULATIONS

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

November 13, 2018

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, 2018, and have issued our report thereon dated November 13, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the 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.

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.



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

GRANT COMPLIANCE REVIEW

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

November 13, 2018

**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, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 13, 2018.

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.

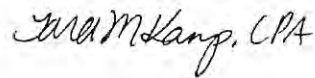
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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



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November 13, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited Multnomah County School District No. 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, 2018. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Multnomah County School District No. 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, 2018.

Report on Internal Control Over Compliance

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

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

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

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



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, 2018

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

CFDA NUMBER **NAME OF FEDERAL PROGRAM CLUSTER**

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, 2018

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.

OTHER INFORMATION

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SPECIAL THANKS

2017-18 Board Members

Mary Lu Baetkey
Sara Kirby
Dave Carter
Sonjia McKenzie
Erick Flores

Business Services

Kady Strode
Tami Booth
Donna Thran
Zina Marchenko



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