

**LAKE OSWEGO SCHOOL DISTRICT NO.
7J
CLACKAMAS COUNTY, OREGON
FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2011**

Prepared by:
Business Services Department
* * * * *

Stuart Ketzler
Director of Finance

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
June 30, 2011

BOARD OF DIRECTORS

<u><i>Name</i></u>	<u><i>Title</i></u>	<u><i>Term Expires</i></u>
Bill Swindells	Chair	June 30, 2011
Teri Oelrich	Member	June 30, 2013
Linda Brown	Member	June 30, 2013
Curt Sheinin	Member	June 30, 2011
John Wendland	Member	June 30, 2013

The above Board Members receive mail at the address below:

ADMINISTRATION

Lake Oswego School District No.7J
PO Box 70
Lake Oswego, Oregon 97034

Dr. William Korach, Superintendent

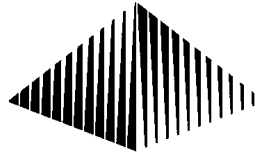
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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT

School Board
Lake Oswego School District No. 7J
Clackamas County, Oregon
Lake Oswego, Oregon

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lake Oswego School District No. 7J, Clackamas County, Oregon (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2012, on our consideration of the District's internal control over financial reporting and our tests of its 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* and should be considered in assessing the results of our audit.

As described in the notes to the financial statements, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASBS No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*.


Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages 3 through 11), schedule of funding progress for other postemployment benefits (page 41), and the budgetary comparison information (pages 39 through 40) 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 MD&A 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Oswego School District No. 7J's financial statements as a whole. The supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder
January 5, 2012

LAKE OSWEGO SCHOOL DISTRICT NO. 7J, CLACKAMAS COUNTY, OREGON
Management's Discussion And Analysis

As management of the Lake Oswego School District No. 7J, Clackamas County, Oregon (Lake Oswego School District or the District), we offer readers this narrative overview and analysis of the financial activities of the Lake Oswego School District for the fiscal year ended June 30, 2011.

Financial Highlights

- The net assets of Lake Oswego School District in the government-wide financial statements were \$21,918,767 at June 30, 2011. Of this amount, \$27,359,389 is invested in capital assets, net of related debt, \$703,152 is restricted to the payment of the District's general obligation bonded debt and the remainder, \$(6,143,774), is unrestricted.
- Net assets increased by \$482,356 from the prior year, due primarily to cost reductions and other measures implemented in preparation for the significant decline in state resources caused by the 2008-2009 recession.
- At June 30, 2011 the District's governmental funds reported combined ending fund balances of \$9,306,604. \$435,002 of this fund balance is restricted for capital projects and \$346,690 was restricted for debt service and therefore not available to meet the general obligations of the District.
- At June 30, 2011, the General Fund had an unassigned fund balance of \$6,486,410, an increase of \$1,324,859 from the prior year's fund balance of \$5,161,551. In response to the continued declines in state funding, the District aggressively reduced costs heading into the 2009-10 and 2010-11 fiscal years, and again in 2011-12. Additional information on state funding and the District's response can be found in the Economic Factors and Next Year's Budgets discussion near the end of this analysis.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Lake Oswego School District's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). As is typical for a school district, Lake Oswego School District has governmental activities, which include instruction, supporting services, facilities acquisition, community services, and debt service. Lake Oswego School District currently does not have any business-type activities.

The government-wide financial statements can be found on pages 12 - 13 of this report.

Fund Financial Statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of the Lake Oswego School District are governmental funds.

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

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

Lake Oswego School District maintains four different individual major governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community Contributions Fund, the Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds at the fund appropriation level is provided in the form of *combining statements* elsewhere in this report.

Lake Oswego School District adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund, individually presented to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 14 - 17 of this report.

Notes To The Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 - 38 of this report.

The **Combining Statements** referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements and required supplementary information along with individual fund schedules.

Government-Wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of the District’s financial position. In the case of Lake Oswego School District, assets exceeded liabilities by \$21,918,767 at the close of the most recent fiscal year. A condensed Statement of Net Assets for the current and prior fiscal year-end follows:

	Total School District Governmental Activities - June 30,	
	<u>2011</u>	<u>2010</u>
Assets		
Current and Other Assets	\$ 22,163,403	\$ 21,549,482
Net Prepaid Pension Obligations and Costs	26,847,003	28,426,328
Net Capital Assets	<u>109,430,255</u>	<u>106,630,969</u>
Total Assets	<u>158,440,661</u>	<u>156,606,779</u>
Liabilities		
Other Liabilities	9,893,677	9,796,995
Long-Term Debt Obligations	<u>126,628,217</u>	<u>125,373,373</u>
Total Liabilities	<u>136,521,894</u>	<u>135,170,368</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	27,359,389	27,213,484
Restricted	703,152	259,598
Unrestricted	<u>(6,143,774)</u>	<u>(6,036,671)</u>
Total Net Assets	<u>\$ 21,918,767</u>	<u>\$ 21,436,411</u>

Current and other assets and long-term obligations have increased due primarily to funds borrowed for certain capital projects, but also due to the cost reduction measures enacted as noted above in preparation for continuing declines in state funding in the wake of the 2008-09 economic recession. Net prepaid obligations and costs decreased due to the normal amortization of these items. These assets represent the unamortized portion of the District’s prepaid pension obligations and bond issuance costs recorded as a result of the financing of a portion of the District’s PERS Unfunded Actuarial Liability (UAL) as more fully discussed in the footnotes at page 23. Net capital assets have increased due primarily to the ongoing improvements to correct deficiencies in the original construction of Lake Oswego High School.

The District’s long-term debt obligations have increased due primarily to the issuance of an additional \$3 million in full-faith and credit obligations to fund the improvements to Lake Oswego High School, offset in part by normal annual principal payments.

By far the largest portion of the District’s net assets is its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for classrooms and supporting services for providing K-12 education; consequently, these assets are not available for future spending. Although the District’s investment in 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, since the capital assets themselves cannot be used to liquidate these liabilities. The source is primarily property taxes levied for debt service.

As previously noted, the District’s net assets increased by \$482,356 during the current fiscal year. This increase was due primarily to cost cutting measures as discussed above.

At the end of the current fiscal year, Lake Oswego School District's unrestricted net assets shows a deficit balance of (\$6,143,774). The government-wide statement of net assets recognizes a liability as soon as an obligation is incurred, even though the payment may not be made until some future period. As governments tend to raise resources when the liabilities are expected to be paid rather than when they are incurred, most governments do not have sufficient current resources to cover long-term liabilities. This is the case for Lake Oswego School District.

The revenues and expenses shown below explain changes in net assets for the fiscal years ending June 30, 2011 and 2010.

Changes in Net Assets	Total School District		Total School District	
	Governmental Activities	Percentage of Total	Governmental Activities	Percentage of Total
	2011		2010	
Revenues				
Program Revenues				
Charges for Services	\$ 8,502,050	11.50%	\$ 7,836,010	10.42%
Grants and Contributions	5,232,319	7.07%	4,943,570	6.57%
Total Program Revenues	13,734,369	18.57%	12,779,580	16.99%
General Revenues				
Property Taxes	39,073,329	52.84%	40,042,039	53.26%
State Revenue Sharing	15,828,825	21.41%	21,019,447	27.96%
Other Federal, State and Local Sources	4,997,669	6.76%	137,787	0.18%
Investment Earnings	109,468	0.15%	109,776	0.15%
Recovery of Prior Year Expenses	200,000	0.27%	1,100,000	1.46%
Total General Revenues	60,209,291	81.43%	62,409,049	83.01%
Total Revenues	73,943,660	100.00%	75,188,629	100.00%
Expenses				
Instruction	37,998,966	51.73%	36,706,247	51.49%
Support Services	19,578,559	26.65%	19,198,235	26.93%
Community Services	4,189,843	5.70%	4,417,171	6.20%
Facilities Acquisition	1,106,914	1.51%	489,528	0.69%
Depreciation and Amortization	4,211,451	5.73%	4,205,916	5.90%
Interest on Long-Term Debt	6,375,571	8.68%	6,272,265	8.79%
Total Expenses	73,461,304	100.00%	71,289,362	100.00%
Change in Net Assets	482,356		3,899,267	
Net assets - Beginning	21,436,411		17,537,144	
Net assets - Ending	\$ 21,918,767		\$ 21,436,411	

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. Therefore, as expected, general revenues provide over 80% of the funding required for governmental programs. Property taxes and State School Fund combined account for 91% and 98% of general revenues and over 74% and 81% of total revenues for the 2011 and 2010 fiscal years, respectively. The decline is due principally to a \$5.2 million reduction in direct state revenues as a result of the 2008-09 recession. This reduction was significantly offset by the District's use of federal stimulus funds, which increased federal general revenues on a one-time basis by \$4.8 million from fiscal year 2010 to 2011. Charges for services are only 11.5% and 10.42% of total revenues for the 2011 and 2010 fiscal years, respectively, and are comprised of the following items for which it is appropriate to charge tuition or fees:

	<u>2011</u>	<u>2010</u>
• Community services charges for enrichment and extended day care programs	\$ 2,681,024	\$ 2,601,917
• Food services charges not only for lunch and breakfast, but also for catering and contract services	1,133,782	1,154,996
• Tuition and fees are charged for participation in various extra-curricular activities and out-of-district students and use of district facilities	<u>4,687,244</u>	<u>4,079,097</u>
Total Charges for Services:	<u>\$ 8,502,050</u>	<u>\$ 7,836,010</u>

Food service charges decreased again in fiscal year 2011 due to lower fee-paying participation, which we believe is directly attributable to the recession. Tuition and fees increased due to successful marketing efforts to attract tuition-paying students as well as additional lease revenues. Grants and contributions represent 7.07 % and 6.57% of total revenues for the 2011 and 2010 fiscal years, respectively. Included in this category is \$339,901 and \$367,589 for federal reimbursement and subsidy under the school lunch program for the 2011 and 2010 fiscal years, respectively. Other federal, state, and other grants for designated programs totaled \$1,757,243 and \$2,147,408, respectively. Fiscal year 2010 was higher due primarily to additional grants provided as federal stimulus funds and a U.S. Department of Energy grant of \$186,199. The balance is comprised primarily of contributions through the Lake Oswego School District Foundation and donations through each school's booster organization.

Expenses. Expenses related to governmental activities are presented in five broad functional categories. Costs of direct classroom instruction activities account for 50% or more of the total expenses of \$73,456,916 and \$71,289,362 for the 2011 and 2010 fiscal years, respectively. In addition, approximately half of the costs in supporting services relate to students, instructional staff and school administration.

	<u>Total Cost of Services</u> 2011	<u>Net Cost of Services</u> 2011	<u>Total Cost of Services</u> 2010	<u>Net Cost of Services</u> 2010
Instruction	\$ 37,998,966	\$ 31,183,428	\$ 36,706,247	\$ 29,825,267
Support Services	19,578,559	18,363,224	19,198,235	18,123,367
Community Services	4,189,843	93,544	4,417,171	286,669
Facilities Acquisition	1,106,914	(291,150)	489,528	(39,630)
Depreciation and Amortization	4,211,451	4,211,451	4,205,916	4,205,916
Interest on Long-Term Debt	<u>6,375,571</u>	<u>6,166,438</u>	<u>6,272,265</u>	<u>6,108,193</u>
Total	<u>\$ 73,461,304</u>	<u>\$ 59,726,935</u>	<u>\$ 71,289,362</u>	<u>\$ 58,509,782</u>

Total and net costs in instruction and supporting services increased due to normal inflation and minor growth in certain programs. Community services costs decreased due to the cost cutting measures noted earlier. Facilities acquisition costs increased in fiscal year 2011 due to additional costs incurred in relation to the improvements required at Lake Oswego High School. Interest on long-term debt expenses increased \$103,306 over the same period due to additional debt issued to finance the improvements required at Lake Oswego High School.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of June 30, 2011, the District’s governmental funds reported combined ending fund balances of \$9,306,604. Of this amount, \$435,002 was related to debt-financed capital projects and is not available to meet general obligations of the District. Additionally, \$346,690 is restricted for payment of the District’s general obligation bonded debt and \$189,960 is nonspendable inventory for use by various funds. While \$1,848,542 is the fund balance in the Special Revenue Funds, the majority of this is the fund balance for the Student Activity Fund. These fund balances are committed to programs congruent with the nature of the special revenue source. The remaining \$6,486,410 constitutes *unassigned fund balance*, which is available for spending at the District’s discretion.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,486,410, an increase of \$1,324,859 from the prior year. This planned increase was due primarily to the use of the District’s federal stimulus funds.

The Debt Service Fund had an ending fund balance of \$346,690 available for future general obligation bonded debt service. Property taxes are the primary revenue source and are relatively stable, so taxes are levied at the minimum amount sufficient for meeting current debt service obligations.

The Capital Projects Fund had an ending fund balance of \$435,002 for capital projects in progress that will be completed in fiscal year 2012.

Governmental Funds Budgetary Highlights

Differences between the original budget and the final amended budget were composed of two budget transfers. The first was from the Capital Projects Fund operating contingency totaling \$175,000; \$50,000 was transferred to the instruction appropriation category and \$125,000 to the debt service appropriation category in the Capital Projects Fund. The second was a \$100,000 reallocation from the General Fund’s operating contingency to debt service.

Capital Asset and Debt Administration

Capital assets. The District’s investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$109,430,255 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, equipment and furniture, and construction in progress. The District’s investment in capital assets for the current fiscal year increased by 2.63% due to the ongoing improvements to Lake Oswego High School, offset in part by regular annual depreciation.

Capital Assets (Net of Depreciation)	Governmental Activities		Percentage Change
	Total School District		
	2011	2010	
Land	\$ 5,242,246	\$ 5,242,246	0.00%
Buildings and Improvements	96,272,578	98,329,556	-2.09%
Vehicles, Equipment and Furniture	834,809	855,373	-2.40%
Construction in Progress	7,080,622	2,203,794	221.29%
Total	\$ 109,430,255	\$ 106,630,969	2.63%

Major capital asset events during the current fiscal year included the following:

- All significant building improvement projects were completed in fiscal year 2006, though major repairs to correct defects in Lake Oswego High School were commenced at the end of the 2009-2010 school year and will be concluded during the 2012 fiscal year. In addition to normal ongoing smaller capital projects, two artificial turf field projects were completed, one in fiscal year 2007 and the other early in fiscal year 2008. A drainage and parking lot improvement project was completed in early fiscal year 2009 and pool and other smaller energy enhancement projects were completed during the years ended June 30, 2011 and 2010.
- Additional information on the District’s capital assets can be found in the notes to the basic financial statements of this report.

Long-term debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$125,246,480. Of this amount, \$112,764,530 is comprised of general obligation debt and pension obligation debt net of unamortized premiums and discounts, \$11,610,868 comprises debts backed by the full faith and credit of the District, \$871,082 comprises obligations for future stipend payments to former employees retired under provisions of certain bargained agreements, and \$1,381,737 comprises the unfunded portion of annual contributions for other postemployment benefit obligations. The District’s total debt increased by \$616,045 during the current fiscal year, compared to an increase of \$1,772,269 in the prior fiscal year. Both increases were due primarily to borrowings to finance repairs to Lake Oswego High School as noted in the prior discussion on capital assets, partially offset by normal annual principal payments on long-term debt.

Outstanding Long-Term Debt			
Total School District			
		2011	2010
	Bonded Debt	\$ 112,764,530	\$ 115,229,337
	Other Long-Term Obligations	12,481,950	9,401,098
	Total	\$ 125,246,480	\$ 124,630,435

Moody’s Investors Service confirmed the rating on the District’s unlimited tax general obligation bonds was Aa2 in 2001. The ratings are primarily based on the District’s large and diverse tax base, which continues to grow. These ratings remain unchanged at June 30, 2011.

State statutes limit the amount of general obligation debt a school district may issue based on a formula using a percentage of the Real Market Value of all taxable properties within the District. The District’s general obligation bond debt capacity is \$702 million, calculated as 7.95% of Real Market Value of \$8.8 billion. This limit is significantly in excess of the District’s outstanding general obligation debt of \$70,895,000.

Additional information on the District’s long-term debt can be found in the notes to the basic financial statements of this report.

Economic Factors and Next Year’s Budgets

The State of Oregon has no sales tax so funding for public schools essentially relies on a combination of income taxes collected at the state level and property taxes collected at the local level. These resources are aggregated under a state-wide formula and distributed to school districts based on each district’s attendance and various weighting of certain factors. Since the implementation of two state-wide measures in the 1990’s that reduced property tax levies, property taxes now provide approximately one third of the resources distributed via this state-wide formula. Prior to the implementation of these two state-wide measures, property taxes accounted for almost two thirds of the resources in this

formula. This increased reliance on income tax receipts has introduced a greater measure of volatility in state school funding and, as with the recession of 2002, has caused funding shortfalls for the State and agencies that rely on state funding, including public schools. State funding for K-12 public schools in Oregon for the 2009-11 biennium, with triggers, was at one time budgeted to be over \$6.3 billion. With cuts made in response to declining state income tax receipts, final state funding for K-12 public schools for the 2009-11 biennium was \$5.7 billion, which included approximately \$200 million in federal stimulus funds. State K-12 funding for the 2011-13 biennium is currently set at \$5.7 billion, though the two most recent state economic forecasts have shown declines that, if continued, raise serious concerns about whether adequate state resources will ultimately be realized to fund current state appropriations. Additionally, largely as a result of the 2008-09 recession, the District's PERS employer rates for the majority of its employees increased from 0.29% to 8.86% of subject wages on July 1, 2011. To further aggravate matters, and unlike the 2002 recession, recovery from the current recession will likely take years. With that as context, the following additional observations regarding economic factors and the budget for the next year are provided to highlight noteworthy issues:

- In recent years, Oregon's unemployment rates have been among the highest in the nation. As of October 31, 2011, its unemployment rate was at 9.5%, down from the October 31, 2010 rate of 10.5%. Both numbers compare unfavorably to the October 31, 2011 national unemployment rate of 9% and the previous Oregon high rate of 9.1% in 2003. Oregon's unemployment rate had been as low as 5.3% as recently as June 30, 2008.
- On January 26, 2010 voters of the State of Oregon passed two state-wide referrals on two separate tax increases approved during the State's 2009 legislative session. While this increased state resources, the State of Oregon continues to have anemic job growth. Special federal funding for teachers has been instrumental in avoiding even larger layoffs than those enacted at the beginning of the 2009-10 school year and again at the beginning of the current 2010-11 school year, but current projections suggest that State underfunding of public education will continue for several more years and possibly even longer. State funding for the District was \$23.5 million for fiscal year 2008 and has steadily declined ever since; it is presently estimated to be approximately \$17.5 million for fiscal year 2012, which, while still inadequate, should allow the District, in combination with Foundation fund-raising, one-time local and federal resources, and cost-cutting measures implemented within the past several years, as more fully discussed below, to retain its current program offerings and end the 2012 fiscal year with a strong positive fund balance. A strong fund balance is essential to address even larger state funding deficits that are expected in the 2011-13 biennium.
- In an effort to reduce costs, the District implemented drastic measures in each of the 2003, 2004 and 2005 fiscal years and again at the beginning of fiscal years 2010, 2011 and 2012. The entire transportation staff of 40 people was laid off in June 2003 and a contract for transportation services was entered into with First Student (formerly Laidlaw). The District's bus fleet was also sold at that time for \$1,000,000 to Laidlaw as part of this contract. Staffing levels were reduced at the end of each fiscal year from 2002-03 to 2004-05, textbook adoptions were deferred, and other cost containment measures were also implemented. Essentially all ongoing cost reduction measures enacted during these periods are still in effect, though a limited number of licensed staff were added back during the 2007, 2008, and 2009 fiscal years. In fiscal year 2010, in addition to other staff reductions and voluntary wage freezes agreed to by all employee groups (amending their contractual agreements for cost-of-living wage increases), approximately 20 teaching positions were eliminated and class sizes were generally increased on average by approximately 1 to 2 students per class. In fiscal year 2011, 14 additional teaching positions were eliminated, as well as other positions, and all employees agreed to a minimum of 3 unpaid days.
- More recently, and initially in response to declining enrollment, but now due to the continued state funding crisis, a committee of the school board reviewed configuration scenarios that, if enacted, would reduce costs by approximately \$1.5 million per year without necessarily involving the reduction of teaching staff. In December 2010, this committee presented its report to the School Board wherein it recommended the District close 3 of its 9 elementary schools at the end of the 2010-11 school year. This would be accomplished by reconfiguring the remaining 6 elementary schools from grades K to 6 to grades K to 5, and reconfiguring the District's two junior highs to grades 6 to 8 middle schools. While the committee recognized this would be a challenging and difficult transition, the committee believed the \$1.5 million saved each year in reduced support and infrastructure costs

would help maintain core instructional programs, thereby allowing the District a better opportunity to meet the high educational expectations of the Lake Oswego community. A separate committee formed in early 2011 identified the three schools for closure and the School Board ultimately decided to implement the closures and associated reconfiguration in two phases, closing one elementary school at the end of the 2010-11 school year and approving plans to close one more and repurpose the third at the end of the 2011-12 school year. These closures and reconfiguration, when fully implemented, are estimated to save the District over \$2 million per year in reduced support and infrastructure costs and economies of scale.

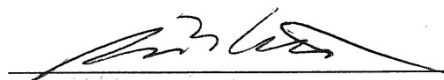
- Partially offsetting the loss of state funding has been very successful volunteer fund-raising efforts by the independent private non-profit Lake Oswego School District Foundation (the Foundation). As a result of its efforts and the generosity of the Lake Oswego community, the Foundation provided \$1.6 million to the District for fiscal year 2010 and \$1.4 million for fiscal year 2011. More significantly, the Foundation has raised \$2.25 million for fiscal year 2012. These fundraising efforts are remarkable feats in light of the significant recession that began in 2008. The City of Lake Oswego, recognizing the vital role the District plays in the city, will provide \$2 million in one-time funding to the District for fiscal year 2012. The District is extremely grateful to the Mayor, City Council and city staff members for the difficult choices that were made to benefit our students. Additionally, with voter approval, the District is able to raise additional property tax revenues using a local option tax levy. First implemented in 2000, District voters recently authorized an additional 5 years of this levy on November 4, 2008 which will provide local option tax revenues to the District each year through fiscal year 2015. Local option tax revenues were \$7.24 million in fiscal year 2011, down from \$7.45 million collected in fiscal year 2010. Due to declining real market values, the revenues generated by this local option tax are declining and will continue to do so until real market values begin to rebound.
- The District's licensed staff is represented by the Lake Oswego Education Association and its classified staff by the Lake Oswego School Employees Association under separate contracts that expired June 30, 2011. Both associations approved new contracts that expire June 30, 2013 that include, among other things, reduced health benefits, wage freezes and continuation of 3 unpaid days each year through both the 2012 and 2013 fiscal years.
- Administration and the school board are actively involved in strategic planning to continue to lead the District in a fiscally responsible manner. Long-term strategic financial plans are in process to guide the District as major decisions are made.

Requests for Information

This financial report is designed to provide a general overview of the Lake Oswego School District's finances for all those with such an interest. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Business Services, Lake Oswego School District, P.O. Box 70, Lake Oswego, Oregon 97034.



William Korach
Superintendent/Clerk



Stuart Ketzler
Executive Director of Finance/Deputy Clerk

BASIC FINANCIAL STATEMENTS

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>
ASSETS:		
Cash and Cash Equivalents	\$ 16,775,806	\$ 946
Intergovernmental Receivables	-	84,481
Property Taxes and Other Receivables	5,170,227	9,284
Prepaid Expenses	27,410	-
Inventories	189,960	-
Prepaid Pension Obligations, Net of Amortization of \$13,209,934	26,501,699	-
Bond Issuance Costs, Net of Amortization of \$171,831	345,304	-
Capital Assets Not Being Depreciated	12,322,868	-
Capital Assets, Net of Accumulated Depreciation of \$32,871,901	<u>97,107,387</u>	<u>-</u>
Total Assets	158,440,661	94,711
LIABILITIES:		
Accounts Payable	2,889,671	-
Accrued Payroll, Taxes, and Employee Withholdings	4,463,346	12,183
Intergovernmental Payables	84,481	-
Advances Received in Excess of Expenses	1,853,810	-
Accrued Interest Payable	313,217	-
Vested Compensated Absences Payable	289,152	-
Long-term Liabilities:		
Due Within One Year	4,304,589	-
Due in More Than One Year	120,941,891	-
Other Postemployment Benefit Obligation	<u>1,381,737</u>	<u>-</u>
Total Liabilities	<u>136,521,894</u>	<u>12,183</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	27,359,389	-
Restricted For:		
Debt Service	703,152	-
Unrestricted	<u>(6,143,774)</u>	<u>82,528</u>
Total Net Assets	<u>\$ 21,918,767</u>	<u>\$ 82,528</u>

The accompanying notes are an integral part of the financial statements.

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

FUNCTIONS	EXPENSES	FUNCTION REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	COMPONENT UNIT
Governmental Activities:						
Instruction	\$ 37,998,966	\$ 4,095,328	\$ 2,720,210	\$ -	\$ (31,183,428)	\$ -
Support Services	19,578,559	591,916	623,419	-	(18,363,224)	-
Community Services	4,189,843	3,760,786	335,513	-	(93,544)	-
Facilities Acquisition	1,106,914	3,954	-	1,394,110	291,150	-
Depreciation and Amortization	4,211,451	-	-	-	(4,211,451)	-
Interest on Long-Term Debt	6,375,571	50,066	159,067	-	(6,166,438)	-
Total Governmental Activities - Primary Government	<u>\$ 73,461,304</u>	<u>\$ 8,502,050</u>	<u>\$ 3,838,209</u>	<u>\$ 1,394,110</u>	(59,726,935)	-
Component Unit - Lake Grove Park	<u>\$ 132,903</u>	<u>\$ 14,216</u>	<u>\$ -</u>	<u>\$ -</u>	-	(118,687)
General Revenues						
Taxes:						
Property Taxes, Levied for General Purposes					33,059,708	155,919
Property Taxes, Levied for Debt Service					6,013,621	-
State Revenue Sharing					15,828,825	-
Grants and Contributions Not Restricted to Specific Programs:						
Federal					4,988,592	-
State and Local Grants					9,077	-
Interest and Investment Earnings					109,468	6
Recovery of Prior Year Expenses					200,000	-
Total General Revenues					<u>60,209,291</u>	<u>155,925</u>
Changes in Net Assets					482,356	37,238
Net Assets - Beginning					<u>21,436,411</u>	<u>45,290</u>
Net Assets - Ending					<u>\$ 21,918,767</u>	<u>\$ 82,528</u>

The accompanying notes are an integral part of the financial statements.

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	GENERAL	SPECIAL REVENUE COMMUNITY CONTRIBUTIONS	DEBT SERVICE
ASSETS:			
Cash and Investments	\$ 14,298,929	\$ -	\$ 309,430
Interfund Receivables	-	1,664,734	-
Receivables:			
Taxes	1,963,725	-	393,966
Accounts	529,212	72,298	-
Prepaid Expenses	27,410	-	-
Inventory of Supplies	142,129	-	-
	<u>16,961,405</u>	<u>1,737,032</u>	<u>703,396</u>
Total Assets	<u>\$ 16,961,405</u>	<u>\$ 1,737,032</u>	<u>\$ 703,396</u>
LIABILITIES AND FUND BALANCES:			
Liabilities			
Interfund Payables	\$ 1,514,273	\$ -	\$ -
Intergovernmental Payable	84,481	-	-
Accrued Payroll and Benefits Payable	4,178,136	74,468	-
Accounts Payable	2,732,913	-	-
Deferred Revenue - Taxes	1,774,802	-	356,462
Deferred Revenue - Other	48,261	1,565,000	-
Matured Bond and Coupons Payable	-	-	244
	<u>10,332,866</u>	<u>1,639,468</u>	<u>356,706</u>
Total Liabilities	<u>10,332,866</u>	<u>1,639,468</u>	<u>356,706</u>
Fund Balances:			
Nonspendable	142,129	-	-
Restricted for:			
Debt Service	-	-	346,690
Capital Projects	-	-	-
Committed to:			
Community support	-	97,564	-
Student activities	-	-	-
Unassigned	6,486,410	-	-
	<u>6,628,539</u>	<u>97,564</u>	<u>346,690</u>
Total Fund Balances	<u>6,628,539</u>	<u>97,564</u>	<u>346,690</u>
Total Liabilities and Fund Balances	<u>\$ 16,961,405</u>	<u>\$ 1,737,032</u>	<u>\$ 703,396</u>

CAPITAL PROJECTS	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 415,669	\$ 1,751,778	\$ 16,775,806
679,209	313,073	2,657,016
-	-	2,357,691
23,867	753,176	1,378,553
-	-	27,410
-	47,831	189,960
<u>\$ 1,118,745</u>	<u>\$ 2,865,858</u>	<u>\$ 23,386,436</u>
\$ 519,345	\$ 623,398	\$ 2,657,016
-	-	84,481
7,640	203,102	4,463,346
156,758	-	2,889,671
-	-	2,131,264
-	240,549	1,853,810
-	-	244
<u>683,743</u>	<u>1,067,049</u>	<u>14,079,832</u>
-	47,831	189,960
-	-	346,690
435,002	-	435,002
-	-	97,564
-	1,750,978	1,750,978
-	-	6,486,410
<u>435,002</u>	<u>1,798,809</u>	<u>9,306,604</u>
<u>\$ 1,118,745</u>	<u>\$ 2,865,858</u>	<u>\$ 23,386,436</u>

The accompanying notes are an integral part of the financial statements.

LAKE OSWEGO SCHOOL DISTRICT NO.7J

CLACKAMAS COUNTY, OREGON

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2011

Total Fund Balances - Governmental Funds	\$	9,306,604	
Long-term receivables not recorded as a revenue and receivable in the governmental funds. The Statement of Net Assets includes them among the assets of the District as a whole.			1,433,983
The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the District as a whole.			109,430,255
The unamortized portion of prepaid pension obligations and bond issuance costs is not available to pay for current period expenditures, and therefore is not reported in the governmental funds.			
Prepaid Pension Obligations, net of amortization	\$	26,501,699	
Bond Issuance Costs, net of amortization		<u>345,304</u>	
			26,847,003
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. All liabilities, both current and long term, are reported in the Statement of Net Assets.			
Long Term Liabilities			
Early Retirement Liability		(871,081)	
Compensated Absences Payable		(289,152)	
FF & C's Payable		(10,725,000)	
Accrued Interest Payable		(312,974)	
Notes Payable		(885,868)	
PERS Bonds Payable		(41,869,530)	
General Obligation Bonds Payable		(70,895,000)	
Other Postemployment Benefit Obligations		<u>(1,381,737)</u>	
			(127,230,342)
Deferred Revenue Related to Property Taxes			<u>2,131,264</u>
Net Assets	\$		<u><u>21,918,767</u></u>

The accompanying notes are an integral part of the financial statements.

LAKE OSWEGO SCHOOL DISTRICT NO.7J**CLACKAMAS COUNTY, OREGON****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -****GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2011**

	<u>GENERAL</u>	<u>SPECIAL REVENUE COMMUNITY CONTRIBUTIONS</u>	<u>DEBT SERVICE</u>
REVENUES:			
Local Sources:			
Taxes	\$ 33,202,301	\$ -	\$ 6,087,065
Earnings on Investments	92,684	-	15,769
Other Local Sources	2,385,719	1,568,706	-
Intermediate Sources	275,995	-	-
State Sources	15,814,633	-	-
Federal Sources	3,554,609	-	-
	<u>55,325,941</u>	<u>1,568,706</u>	<u>6,102,834</u>
Total Revenues			
EXPENDITURES:			
Current:			
Instruction	32,518,900	1,328,829	-
Support Services	18,512,846	27,605	-
Enterprise and Community Services	-	-	-
Capital Outlay	273,748	119,900	-
Debt Service:			
Principal	867,272	-	2,190,000
Interest	1,791,100	78,818	3,709,531
	<u>53,963,866</u>	<u>1,555,152</u>	<u>5,899,531</u>
Total Expenditures			
Excess of Revenues Over, (Under) Expenditures	<u>1,362,075</u>	<u>13,554</u>	<u>203,303</u>
OTHER FINANCING SOURCES, (USES):			
Proceeds from Issuance of Long-term Debt	-	-	-
Transfers In	-	-	-
Transfers Out	(37,216)	-	-
	<u>(37,216)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources, (Uses)			
Excess of Revenues and Other Sources Over, (Under) Expenditures and Other Uses	1,324,859	13,554	203,303
Increase (Decrease) in Inventories	31,386	-	-
FUND BALANCE, Beginning of Year	<u>5,272,294</u>	<u>84,010</u>	<u>143,387</u>
FUND BALANCE, End of Year	<u>\$ 6,628,539</u>	<u>\$ 97,564</u>	<u>\$ 346,690</u>

CAPITAL PROJECTS	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 39,289,366
1,015	-	109,468
796,554	6,316,331	11,067,310
502,997	-	778,992
-	14,192	15,828,825
-	2,097,144	5,651,753
<u>1,300,566</u>	<u>8,427,667</u>	<u>72,725,714</u>
41,644	3,744,170	37,633,543
-	595,814	19,136,265
-	4,171,837	4,171,837
6,086,282	58,395	6,538,325
213,779	48,997	3,320,048
150,018	151,718	5,881,185
<u>6,491,723</u>	<u>8,770,931</u>	<u>76,681,203</u>
<u>(5,191,157)</u>	<u>(343,264)</u>	<u>(3,955,489)</u>
3,000,000	-	3,000,000
-	37,216	37,216
-	-	(37,216)
<u>3,000,000</u>	<u>37,216</u>	<u>3,000,000</u>
(2,191,157)	(306,048)	(955,489)
-	21,723	53,109
2,626,159	2,083,134	10,208,984
<u>\$ 435,002</u>	<u>\$ 1,798,809</u>	<u>\$ 9,306,604</u>

The accompanying notes are an integral part of the financial statements.

LAKE OSWEGO SCHOOL DISTRICT NO.7J

CLACKAMAS COUNTY, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Total Net Changes in Fund Balances - Governmental Funds	\$	(955,489)
Long-term receivables are not recorded as a revenue in the governmental funds, but are recorded as a revenue in the Statement of Activities		1,433,983
Repayment of bond and note payable principal, compensated absences, and post retirement obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Additions to compensated absences and post retirement obligations is an expense for the Statement of Net Assets, but not the governmental funds.		2,834,398
Proceeds from issuance of long-term debt is an other financing source in the governmental funds, but increases long-term debt in the Statement of Net Assets.		(3,000,000)
Payments capitalized are reported in governmental funds as capital outlay expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation.		
Capitalized Assets	\$	5,431,411
Depreciation Expense		<u>(2,632,125)</u>
		2,799,286
Governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		(1,579,326)
Changes in inventory are a direct reduction of fund balances in the governmental funds. Changes in inventory either increase or reduce expenses in the Statement of Activities.		53,109
In the Statement of Activities, interest is accrued on long-term debt and discounts are accreted, whereas in the governmental funds it is recorded as an expense when due.		(887,568)
Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes a deferred revenue for all property taxes levied but not received, however in the Statement of Activities, there is no deferred revenue and the full property tax receivable is accrued.		<u>(216,037)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>482,356</u></u>

The accompanying notes are an integral part of the financial statements.

LAKE OSWEGO SCHOOL DISTRICT NO.7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lake Oswego School District 7J (the District) is a municipal corporation governed by a separately elected five-member Board of Directors. Administrative officials are approved by the Board. The daily functioning of the District is under the supervision of the Superintendent. As required by accounting principles generally accepted in the United States of America, all activities of the District have been included in the basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District has one component unit, the Lake Grove Park District. The Lake Grove Park District is included in the School District's reporting entity because the Board of Directors of the District is financially accountable for the Lake Grove Park District.

The Lake Grove Park District's financial statements appear as a discretely presented component unit in the financial statements. They are presented as a separate column to emphasize that they are legally separate from the School District. The Park District was organized under provisions of Oregon Revised Statutes Chapter 390 for the purpose of operating a park district. It is restricted by deed to use by residents of the former Lake Grove School District No. 106.

Detailed information about the Park District's budgetary compliance and compliance with laws and regulations is contained in the component unit financial report of Lake Grove Park District. The Park District's address is the same as Lake Oswego School District No. 7J.

Private citizens of the Lake Oswego School District area formed the Lake Oswego School District Foundation in 1986 as a separate, independent non-profit corporation. The Foundation is not a component unit of the District, but it does raise money for the benefit of the District. Included in the Special Revenue Funds' local revenues are Foundation contributions totaling approximately \$1,400,000 for the year ended June 30, 2011.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District. These statements include the governmental financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities, except that interfund services are not eliminated. Program revenues include: (1) charges to students or others for tuition, fees, rentals, material, supplies or services provided and (2) operating grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

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

Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each governmental fund category are presented. The emphasis of fund financial statements is on major governmental funds, each being displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund. Principal revenue sources are an apportionment from the State of Oregon and property taxes.

Community Contributions Fund - This fund accounts for revenues and expenditures of contributions from various community groups for specific educational projects or programs..

Debt Service Fund - This fund accounts for the payment of principal and interest on general obligation bonded debt. Principal revenue sources are property taxes.

Capital Projects Fund - This fund is used to account for the District's major construction projects. Proceeds from the sale of bonds are the main source of funding.

In addition, the District reports the following as nonmajor governmental funds:

Special Revenue Funds

Grants Fund - This fund accounts for revenues and expenditures of Federal and State grants which are designated for specific educational projects or programs.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Special Revenue Funds (Continued)

Community Services Fund - This fund accounts for fee-based programs designated to enhance educational opportunities for members of the community. The primary source of revenues are fees charged to participants.

Student Activity Fund - This fund accounts for fee-based extracurricular activities at each of the District's schools. The primary source of revenues are fees charged to participants.

Food Service Fund - This fund accounts for the various food service programs provided by the District. The sale of food and federal subsidies administered by the State are the major revenue sources.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues.

Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general resources.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash and Investments

The District's investments consist of time certificates of deposit, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). Time certificates of deposit are stated at cost which approximates fair value. U.S. Government Agency securities are stated at amortized cost which approximates fair value. The LGIP is stated at cost which approximates fair value.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

The Oregon State Treasury administers the LGIP. It is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

Property Taxes Receivable

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are recorded on the statement of net assets. Uncollected taxes are deemed 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.

Accounts and Other Receivables

Accounts and other receivables are comprised primarily of State school support and claims for reimbursement of costs under various federal and state grants.

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. Grant monies received prior to the occurrence of qualifying expenditures are recorded as unearned revenue on the statement of net assets and the balance sheet.

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 District's inventories at USDA wholesale value. The District accounts for the inventory based on the purchase method. Under this method, inventory is recorded as an expenditure when purchased. Inventory amounts at year end are recorded on the governmental funds balance sheet with a reserve to fund balance. Donated commodities consumed during the year are reported as revenues and expenditures. The amount of unused, donated commodities at the balance sheet date is considered immaterial for reporting purposes.

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The District defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated life in excess of one year.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Vehicles and equipment	5 to 15 years

Retirement Plans

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged as expenses/expenditures as funded. An asset representing proceeds from the sale of pension bonds contributed to PERS is being amortized over the life of the bonds.

Some permanent employees who have 10-15 years of regular service in the District may be eligible for supplemental post-employment benefits under the terms of certain bargained agreements. Benefits under these agreements are funded on a current basis in the General Fund and recognized as a liability in the Statement of Net Assets.

Other Postemployment Benefits

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

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences will be paid from general revenues and are expected to be paid out within 12 months.

Governmental Fund Balances

In the year ended June 30, 2011, the District adopted GASB Statement #54 *Fund Balance Reporting and Governmental Fund Type Definitions*. In the governmental financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental Fund type fund balances are classified as follows:

- **Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balances (Continued)

- **Restricted** – Amounts that can be spent only for specific purposes when the constraints placed on the use of these resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** – Amounts that can be used only for specific purposes determined by a formal action of the School Board. The School Board can modify or rescind the commitment at any time through taking a similar formal action.
- **Assigned** - Amounts that are constrained by the District’s intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the School Board approves which resources should be “reserved” during the adoption of the annual budget. The District’s Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the District’s Annual Financial Report.
- **Unassigned** – All amounts not included in other spendable classifications. This residual classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund. In addition, certain funds budgeted as Special Revenue Funds may be reported as part of the General Fund because their source of funds is primarily transfers from the General Fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenues sources” means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years should also be reported in debt service funds.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the District’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Budget

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. The budgetary basis of accounting is the same as accounting principles generally accepted in the United States of America for the governmental fund types except that capital outlay expenditures, including items below the District's capitalization level, are budgeted by major function in governmental fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Appropriations are established at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. The budget is adopted, appropriations made, and the tax levy declared no later than June 30 each year. Unexpected additional resources may be added to the budget through the use of a supplemental budget or appropriation resolution.

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. During the year, there was one appropriation transfer made and one supplemental budget was adopted. Appropriations lapse at the end of each fiscal year.

Pension Asset

The pension asset consists of two lump-sum payments to PERS totaling \$39,711,633 in partial payment of the District's unfunded actuarial liability. The pension asset is equal to these payments made from the issuance of pension bonds less accumulated amortization calculated on the straight-line method over the life of the pension obligation bonds.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

CASH AND INVESTMENTS

The District maintains an internal cash and investments pool that is available for use by all funds. Each fund type's portion of the pool is displayed in the basic financial statements as Cash and Investments or Amounts Due To/From Other Funds. Checks presented to the bank are covered by transfers from the Local Government Investment Pool on at least a weekly basis.

Cash and investments are comprised of the following as of June 30, 2011:

	<i>Carrying Value</i>	<i>Fair Value</i>
<i>Cash and Investments</i>		
Cash on hand	\$ 4,510	\$ 4,510
Cash with county	247,093	247,093
Deposits with financial institutions	3,149,739	3,149,739
Investments	13,374,464	13,374,464
	<u>\$ 16,775,806</u>	<u>\$ 16,775,806</u>

Deposits

The District's deposits with various financial institutions had a bank value of \$5,632,505 at June 30, 2011. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned. This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides unlimited insurance for the City's deposits with financial institutions for the aggregate of all non-interest bearing accounts and up to \$250,000 for the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are covered by the PFCP. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized,

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2011

CASH AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits (Continued)

25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2011, \$5,037,297 of the District's bank balances were exposed to custodial credit risk as part of the Public Funds Collateralization Program.

Investments

As of June 30, 2011, the District held the following investments and maturities:

Investment type	Carrying Amount	Average Maturity in years	% of portfolio
Time certificates of deposit	\$ 165,008	0.083	1%
Treasury bills	801,301	0.533	6%
Local Government Investment Pool	12,408,155	0.003	93%
	<u>\$13,374,464</u>	<u>0.036</u>	<u>100%</u>

The District's investment objective is foremost to preserve capital and protect investment principal, to conform with federal, state, and other legal requirements, to maintain sufficient liquidity to meet operating requirements, to diversify to avoid unreasonable risks regarding security instruments or individual institutions, and to attain a reasonable rate of return.

With the exception of pass-through funds, the maximum amount of pooled investments to be placed in the Local Government Investment Pool is limited by Oregon Statute to an amount in excess of \$40 million, which will increase proportionately to the Portland Consumer Price Index. The limit can be temporarily exceeded for ten business days and does not apply either to pass-through funds or to funds invested on behalf of another governmental unit.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the investments above, except for the investment in the Local Government Investment Pool which is not evidenced by securities, are held in safekeeping by the financial institution counterparty in the financial institution's general customer account name.

Credit Risk

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper and the State of Oregon Treasurer's Local Government Investment Pool.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

The District's policy, which adheres to State of Oregon law, is to limit its investments to the following: Issuers within Oregon must be rated "AA" or better (bonds) or A-1/P-1 (commercial paper) or better by a nationally recognized statistical rating organization.

The Oregon State Treasurer maintains the Oregon Short Term Fund, of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, funds are invested as a prudent investor would, exercising reasonable care, skill and caution. The Oregon Short-term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. LGIP was created to offer a short-term investment alternative to Oregon local governments. The investments are regulated by the Oregon Short-term Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2011, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool was approximately equal to the value of the pool shares. Separate financial statements for the Oregon Short Term Fund are available from the Oregon State Treasurer. The LGIP is not rated for credit risk.

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet the cash requirement for ongoing operations, thereby avoiding the need to sell securities in the open market, and invest operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limit the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The District's policy for investing in individual issuers varies depending on the type of investments. U.S. treasury obligations do not have restrictions regarding concentration with any one issuer. U.S. agency securities are limited to no more than one-third of the portfolio and may be invested in any specific agency. Bankers Acceptances must be purchased from an Oregon chartered financial institution. Certificates of deposit of commercial banks shall not represent more than 10% of the total portfolio at settlement. Investments in commercial paper or corporate indebtedness with any one issuer may not exceed 5% of the total portfolio at settlement date.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2011

CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk (Continued)

As a means to comply with the District's investment objectives, the policy limits investments as follows:

Investment Type	<i>Maximum % of Portfolio</i>	<i>Maximum length to maturity</i>
Certificates of Deposit	100%	2 years
U.S. Treasury Obligations (Bills, Notes, Bonds)	100%	2 years
Local Government Investment Pool	100%	1 day
Federal Agency Securities	50%	2 years
Repurchase Agreements	25%	2 years
Banker's Acceptances	50%	2 years

RECEIVABLES

Receivables are comprised of the following as of June 30, 2011:

Property taxes receivable	
General Fund	\$ 1,963,725
Debt Service Fund	393,966
Total property taxes receivable	2,357,691
Accounts and grants receivable	
General Fund	529,212
Community Contributions Fund	72,298
Capital Projects Fund	23,867
Other Governmental Funds	753,176
Total accounts and grants receivable	1,378,553
Total	\$ 3,736,244

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2011

INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2011 is as follows:

	Due from Other Funds	Due to Other Funds
General	\$ -	\$ 1,514,273
Community Contributions	1,664,734	-
Capital Projects	679,209	519,345
Nonmajor Governmental Funds	313,073	623,398
Total	<u>\$ 2,657,016</u>	<u>\$ 2,657,016</u>

Interfund receivables and payables arise during normal processing of receipts and disbursements for all funds through a single checking account and do not represent interfund loans.

CAPITAL ASSETS

Capital assets activity for the year was as follows:

	<i>Balances July 1, 2010</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2011</i>
Capital assets not being depreciated:				
Land	\$ 5,242,246	\$ -	\$ -	\$ 5,242,246
Construction in progress	2,203,794	5,294,606	(417,778)	7,080,622
<i>Total Capital Assets Not Being Depreciated</i>	<u>7,446,040</u>	<u>5,294,606</u>	<u>(417,778)</u>	<u>12,322,868</u>
Capital assets being depreciated:				
Buildings and improvements	126,126,539	417,778	-	126,544,317
Vehicles and equipment	3,298,166	136,805	-	3,434,971
<i>Total Capital Assets Being Depreciated</i>	<u>129,424,705</u>	<u>554,583</u>	<u>-</u>	<u>129,979,288</u>
Less accumulated depreciation for:				
Buildings and improvements	(27,796,983)	(2,474,756)	-	(30,271,739)
Vehicles and equipment	(2,442,793)	(157,369)	-	(2,600,162)
<i>Total Accumulated Depreciation</i>	<u>(30,239,776)</u>	<u>(2,632,125)</u>	<u>-</u>	<u>(32,871,901)</u>
<i>Total Capital Assets Being Depreciated, net</i>	<u>99,184,929</u>	<u>(2,077,542)</u>	<u>-</u>	<u>97,107,387</u>
<i>Total Capital Assets, net</i>	<u>\$ 106,630,969</u>	<u>\$ 3,217,064</u>	<u>\$ (417,778)</u>	<u>\$ 109,430,255</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

LONG-TERM DEBT

The following is a summary of long-term debt transactions during the year ended June 30, 2011:

<u>Issue Date</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2010</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2011</u>	<u>Amounts Due in One Year</u>
General obligation bonds used for Capital Purposes:						
August 4, 2005	\$ 80,740,000	\$ 73,085,000	\$ -	\$ (2,190,000)	\$ 70,895,000	\$ 2,390,000
Pension Bonds:						
October 2002	23,926,732	22,418,334	-	(377,226)	22,041,108	406,362
April 2003	16,302,037	14,478,818	-	(405,046)	14,073,772	423,871
Total pension bonds		36,897,152	-	(782,272)	36,114,880	830,233
Total		109,982,152	-	(2,972,272)	107,009,880	3,220,233
Accretion of Discount		5,247,185	888,047	(380,582)	5,754,650	247,639
Total bonds payable		115,229,337	888,047	(3,352,854)	112,764,530	3,467,872
Notes payable		1,033,644	-	(147,776)	885,868	151,771
Full faith and credit obligations		7,925,000	3,000,000	(200,000)	10,725,000	210,000
Early retirement		442,454	612,607	(183,979)	871,082	295,894
Total		\$ 124,630,435	\$ 4,500,654	\$ (3,884,609)	\$ 125,246,480	\$ 4,125,537
General obligation bonds - issued August 4, 2005, due in annual installments of \$570,000 to \$8,275,000 plus interest paid semi-annually at 4.13% to 5.5% through 2026.					\$ 70,895,000	
Pension obligation bonds - issued October 9, 2002, due in annual installments of \$62,817 to \$3,175,000 plus interest paid semi-annually at 2.1% to 6.1% through 2028.					22,041,108	
Pension obligation bonds - issued April 3, 2003, due in annual installments of \$28,701 to \$2,250,000 plus interest paid semi-annually at 1.5% to 6.27% through 2028.					14,073,772	
Accretion of Discount					5,754,650	
Notes payable					885,868	
Full faith and credit obligations - issued July 14, 2005, April 15, 2010, June 28, 2010 and June 30, 2011 due in annual installments of \$100,000 to \$4,000,000 plus interest paid semiannually at 2.20% to 4.35% through 2030.					10,725,000	
Early retirement incentive					871,082	
Total long-term debt					<u>\$ 125,246,480</u>	

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2011

LONG-TERM DEBT (Continued)

Future maturities on bonds are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2012	\$ 3,220,233	\$ 5,493,378	\$ 8,713,611
2013	3,497,677	5,512,485	9,010,162
2014	3,814,042	5,531,229	9,345,271
2015	4,138,753	5,536,788	9,675,541
2016	4,507,234	5,526,652	10,033,886
2017-2021	30,116,191	25,964,845	56,081,036
2022-2026	49,690,750	11,983,214	61,673,964
2027-2028	8,025,000	595,524	8,620,524
	<u>\$ 107,009,880</u>	<u>\$ 66,144,115</u>	<u>\$ 173,153,995</u>

General obligation bonds are direct obligations and pledge the full faith and credit of the District. The District issues general obligation bonds to provide funds for the acquisition and construction of District school facilities. The general obligation bonds will be paid from general property tax revenues from the Debt Service Fund.

Pension obligation bonds will be paid from resources of each fund based on their pro-rata share of each year's pension obligation debt service. The pro-rata share is determined on the basis of each fund's annual PERS contribution expenditures as a percentage of total annual PERS contribution expenditures.

Notes payable consists of two loans due in semi-annual payments of \$21,214 and \$69,953, each due on December and June 15 including interest at 4.8% and 2.75% per annum, maturing on June 15, 2022 and 2015, respectively.

Future debt service requirements on notes payable are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2012	\$ 151,771	\$ 30,563	\$ 182,334
2013	156,507	25,829	182,336
2014	161,397	20,937	182,334
2015	166,451	15,883	182,334
2016	30,807	11,622	42,429
2017-2021	177,985	34,156	212,141
2022	40,950	1,482	42,432
	<u>\$ 885,868</u>	<u>\$ 140,472</u>	<u>\$ 1,026,340</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2011

LONG-TERM DEBT (Continued)

The District issued \$3,750,000 of Full Faith and Credit obligations in July 2005 with interest at 3.75% - 4.35%. The District also issued \$1,100,000, \$4,000,000, and \$3,000,000 of Full Faith and Credit obligations in April 2010, June 2010, and June 30, 2011 with interest rates of 3.1%, 2.2%, and 5% respectively. Future debt service requirements on full faith and credit obligations are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2012	\$ 210,000	\$ 379,173	\$ 589,173
2013	8,200,000	371,297	8,571,297
2014	100,000	95,198	195,198
2015	100,000	91,197	191,197
2016	105,000	87,198	192,198
2017-2021	595,000	373,945	968,945
2022-2026	720,000	244,842	964,842
2027-2030	695,000	76,994	771,994
	<u>\$ 10,725,000</u>	<u>\$ 1,719,844</u>	<u>\$ 12,444,844</u>

Compensated absences activity for the year is as follows:

	<i>Outstanding July 1, 2010</i>	<i>Increases</i>	<i>Decreases</i>	<i>Outstanding June 30, 2011</i>	<i>Amount Due in One Year</i>
Compensated absences	<u>\$ 490,347</u>	<u>\$ 289,152</u>	<u>\$ (490,347)</u>	<u>\$ 289,152</u>	<u>\$ 289,152</u>

Compensated absences will be provided by general revenues and paid from the General Fund.

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011 are as follows:

	<i>Transfers In</i>	<i>Transfers Out</i>
General fund	\$ -	\$ 37,216
Other nonmajor funds	37,216	-
Total	<u>\$ 37,216</u>	<u>\$ 37,216</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

INTERFUND TRANSFERS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

PENSION PLAN

The District contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs:

1. The Pension Program, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003, and to inactive employees who return to employment. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service.
2. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, P.O. Box 73, Portland, Oregon 97207-0073 or by calling 503-598-7377.

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. As allowed by state law, the District makes this contribution on behalf of its regular employees. The District is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the employees for the qualifying employees under the OPSRP plan. During 2002-2003, the District issued limited tax pension bonds, the proceeds of which were used to finance a portion of its estimated unfunded actuarial liability. The OPERF and the OPSRP rates in effect for the year ended June 30, 2011 were .29% and .19% respectively after adjustment for the effects of prepayment of a portion of the estimated unfunded liability. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

Current law permits employers to pay employee contributions to the Retirement Fund. The District has elected to contribute the 6% "pick-up" of regular employees' contributions. Total payroll was \$34,591,911 and covered payroll was \$33,481,445 for the year ended June 30, 2011. The District's contributions for the years ended June 30, 2011, 2010 and 2009 are \$1,966,284, \$1,998,159, \$2,962,069, respectively. These amounts equaled the required contributions for each year.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

OTHER POST EMPLOYMENT BENEFITS (OPEBs)

District Early Retirement Incentive Program

Description - The District maintains early retirement supplement programs for teachers or administrators who retire with 10 to 15 years of regular service to the District. The programs provide a stipend that, depending on age and years of service at retirement, ranges from \$200 to \$475 per month for a full-time employee for up to 7 years or age 65, whichever occurs first.

Funding Policy

The District provides payments in accordance with current contracts on a pay-as-you-go basis. At June 30, 2011, the District was providing early retirement benefits to 77 former teachers or administrators. During the year ended June 30, 2011, governmental fund expenditures related to early retirement stipend benefits totaled \$183,979.

Expenditures are recorded in the governmental funds as the incentive payments are paid. The present value of future incentive payments is recorded in the Statement of Net Assets.

Postemployment Health Care Benefits

Description - The District, as a result of collective bargaining agreements, offers postemployment health care benefits for qualified employees as described in the summary of significant accounting policies section of this report.

Funding Policy

The District provides payments in accordance with current employee contracts on a pay-as-you-go basis. At June 30, 2011, the District was providing early retirement incentive health care benefits to 129 former employees.

Governmental fund expenditures related to early retirement insurance benefits totaled \$453,490 during the year ended June 30, 2011.

Expenditures are recorded in the governmental funds as the related insurance premiums are paid. The present value of estimated insurance premiums is recorded in the Statement of Net Assets.

Postemployment Health Insurance Subsidy

The District implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB) for the fiscal year ended June 30, 2009. This implementation allows the District to report its liability for other postemployment benefits consistent with established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

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 129 retired members in the plan. As of the date of the valuation, 719 active members are or will become eligible to participate in the plan, assuming they meet eligibility requirements by the time they retire. Benefits and eligibility for members are established through bargaining agreements and state law.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2011

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

Postemployment Health Insurance Subsidy (Continued)

The District's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulate 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 costs, 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. Instead, the activities of the plan are reported in the Governmental Funds.

Funding Policy

The benefits from this program are paid by either the district or the retired employees on a self-pay or contributory basis. Required contributions are financed on a pay-as-you go basis. There is no obligation on the part of the District to fund these benefits in advance.

Annual OPEB Cost and Net OPEB Obligation – The District's annual other postemployment benefit cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the OPEB obligation at the end of the year:

	2011	2010	2009
	<u> </u>	<u> </u>	<u> </u>
Annual required contribution	\$ 1,390,108	\$ 1,293,509	\$ 1,293,509
Interest on net OPEB obligation	22,288	14,676	-
Adjustment to annual required contribution	(36,800)	-	-
	<u> </u>	<u> </u>	<u> </u>
Annual OPEB cost	1,375,596	1,308,185	1,293,509
Contributions made	(736,797)	(932,153)	(926,603)
	<u> </u>	<u> </u>	<u> </u>
(Increase) decrease in net OPEB obligation	638,799	376,032	366,906
Net OPEB obligation at beginning of year	742,938	366,906	-
	<u> </u>	<u> </u>	<u> </u>
Net OPEB obligation at end of year	<u>\$ 1,381,737</u>	<u>\$ 742,938</u>	<u>\$ 366,906</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2011

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

Funding Policy (Continued)

The District's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2011 were as follows:

Fiscal Year Ended June 30	Annual OPEB cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 1,293,509	\$ 926,603	71.6%	\$ 366,906
2010	1,308,185	932,153	71.3%	742,938
2011	1,375,596	736,797	53.6%	1,381,737

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date, for the period ended June 30, 2011; the District's actuarial accrued liability (AAL) for benefits was \$13,988,495, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,988,495. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will eventually present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – The actuarial cost method used to determine the cost and liabilities for this plan was the entry age normal actuarial cost method. Under this method, the unfunded value of all benefits expected to be paid from the plan is spread over the expected working career of all participants in such a way that annual costs are expected to remain level.

The actuarial assumptions included a discount rate of 4 percent and a 100 percent assumption of participants will elect medical coverage at retirement. They also assume medical and prescription drug costs would increase at 10 percent inflation for the current year, grading down to an annual rate of 5 percent after ten years which is consistent with expectations for long-term health care cost inflation. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates, and withdrawal rates, are the same as those used by Oregon PERS for School Districts.

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 the OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. The plan, which was established under Oregon Revised Statutes (ORS) 238.420, provided for a payment of up to \$60 per month toward the costs of Medicare companion health insurance for eligible retirees. A comprehensive annual financial report of the funds administered by the OPERS may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700 or by accessing the PERS website at www.oregon.gov/PERS/.

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2011

OTHER POST EMPLOYMENT BENEFITS (OPEBs) (Continued)

Retirement Health Insurance Account (Continued)

Funding Policy – Participating school districts are contractually required to contribute at a rate assessed each year by the OPERS: rates for the year ended June 30, 2011 were 0.29% of annual covered OPERF payroll and 0.19% of covered OPSRP payroll. The OPERS Board of Trustees sets the rates based on the annual required contribution (ARC) of the employers, 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, 2011, 2010 and 2009 were \$98,818, \$75,930, and \$111,172, which equaled the required contributions each year.

RISK MANAGEMENT

The District is exposed 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 the District purchases commercial insurance. There were no significant reductions in insurance coverage from coverage in prior years in any of the major categories of risk. Except for the District's contribution of \$25,000 toward a settlement during the year ended June 30, 2009, the amounts of any settlements have not exceeded insurance coverage for any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

The District's unemployment claims are recorded as a payable throughout the District's various funds. Claims activity, including estimated incurred but not reported claims, for the fiscal years ended June 30, 2011, 2009 and 2008 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Beginning accrued claims liability	\$ 263,573	\$ 269,322	\$ 249,868
Incurred claims (including IBNRs)	99,504	100,537	39,350
Claims payments	<u>(102,946)</u>	<u>(106,285)</u>	<u>(19,896)</u>
Accrued claims liability, June 30	<u>\$ 260,131</u>	<u>\$ 263,573</u>	<u>\$ 269,322</u>

LAKE OSWEGO SCHOOL DISTRICT 7J
CLACKAMAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2011

BUDGET COMPLIANCE

Excess of Expenditures Over Appropriations

Oregon law prohibits expenditures in excess of board approved appropriations. The board approves appropriations for each fund by major function. For the year ended June 30, 2011, expenditures exceeded appropriations as follows:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund			
Debt Service	\$ 2,650,000	\$ 2,658,372	\$ (8,372)
Capital Projects Fund			
Debt Service	250,002	363,797	(113,795)

RELATED PARTY TRANSACTIONS

The District conducts business with two companies who are related to members of the School Board. During the year the District paid \$85,439 to Brand Athletics and \$378 to Insight Schools for products and/or services.

CLAIMS AND LITIGATION

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, or expenditures which may be disallowed by the grantor agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Management has represented that there are no contingent liabilities that require disclosure or recognition in accordance with FASC section 450 and/or GASB Statement No. 10. Such contingent liabilities would include, but would not be confined to: notes or accounts receivable which have been discounted; pending suits; proceedings, hearings, or negotiations possibly involving retroactive adjustments; unsatisfied judgments or claims; taxes in dispute; endorsements or guarantees; and options.

The District is pursuing claims against parties involved in the construction of a high school building. The District has settled with its architectural firm for \$600,000. The District has reached a tentative settlement with certain of the other parties.

SUBSEQUENT EVENTS

The District follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through January 5, 2012, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local sources	\$ 35,680,704	\$ 34,540,000	\$ 34,540,000	\$ 1,140,704
Intermediate sources	275,995	415,000	415,000	(139,005)
State sources	15,814,633	20,550,000	20,550,000	(4,735,367)
Federal sources	<u>3,554,609</u>	<u>135,000</u>	<u>135,000</u>	<u>3,419,609</u>
Total revenues	<u>55,325,941</u>	<u>55,640,000</u>	<u>55,640,000</u>	<u>(314,059)</u>
EXPENDITURES:				
Instruction	32,597,378	35,007,994	35,007,994	2,410,616
Support services	18,708,116	19,830,005	19,830,005	1,121,889
Facilities acquisition and construction	-	1	1	1
Debt service	2,658,372	2,550,000	2,650,000	(8,372)
Operating contingency	<u>-</u>	<u>500,000</u>	<u>400,000</u>	<u>400,000</u>
Total expenditures	<u>53,963,866</u>	<u>57,888,000</u>	<u>57,888,000</u>	<u>3,924,134</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,362,075	(2,248,000)	(2,248,000)	3,610,075
OTHER FINANCING SOURCES (USES):				
Transfers out	(37,216)	(200,000)	(200,000)	162,784
Sale of/compensation for loss of capital assets	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>(37,216)</u>	<u>(190,000)</u>	<u>(190,000)</u>	<u>152,784</u>
NET CHANGE IN FUND BALANCE	1,324,859	(2,438,000)	(2,438,000)	3,762,859
FUND BALANCE, Beginning of year	<u>5,161,551</u>	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,361,551</u>
FUND BALANCE, End of year	<u>\$ 6,486,410</u>	<u>\$ 362,000</u>	<u>\$ 362,000</u>	<u>\$ 6,124,410</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – COMMUNITY CONTRIBUTIONS FUND
YEAR ENDED JUNE 30, 2011**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local sources	\$ 1,568,706	\$ 2,418,000	\$ 2,418,000	\$ (849,294)
EXPENDITURES:				
Instruction	1,448,729	2,105,000	2,105,000	656,271
Support services	27,605	165,000	165,000	137,395
Facilities acquisition and construction	-	98,000	98,000	98,000
Debt service	<u>78,818</u>	<u>90,000</u>	<u>90,000</u>	<u>11,182</u>
Total expenditures	<u>1,555,152</u>	<u>2,458,000</u>	<u>2,458,000</u>	<u>902,848</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,554	(40,000)	(40,000)	53,554
FUND BALANCE, Beginning of year	<u>84,010</u>	<u>40,000</u>	<u>40,000</u>	<u>44,010</u>
FUND BALANCE, End of year	<u>\$ 97,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,564</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2009	\$ -	\$ 12,836,263	\$ 12,836,263	0.0%	\$ 30,057,273	42.7%
July 1, 2010	-	13,024,534	13,024,534	0.0%	30,057,273	43.3%
July 1, 2011	-	13,988,495	13,988,495	0.0%	N/A	N/A

SUPPLEMENTAL INFORMATION

LAKE OSWEGO SCHOOL DISTRICT NO.7J**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Taxes-Current Levy	\$ 25,086,165	\$ 24,990,000	\$ 24,990,000	\$ 96,165
Taxes-Prior Levies	879,254	565,000	565,000	314,254
Local Option Taxes-Current Levy	6,947,829	6,950,000	6,950,000	(2,171)
Local Option Taxes-Prior Levy	289,053	150,000	150,000	139,053
Tuition	692,824	610,000	610,000	82,824
Earnings on Investments	92,684	175,000	175,000	(82,316)
Gate Receipts	66,501	90,000	90,000	(23,499)
Sports Participation Fees	720,165	550,000	550,000	170,165
Student Fees	114,313	30,000	30,000	84,313
Rent from School Facility	4,500	10,000	10,000	(5,500)
Property Lease Fees	208,578	325,000	325,000	(116,422)
Miscellaneous Income	578,838	95,000	95,000	483,838
Total From Local Sources	<u>35,680,704</u>	<u>34,540,000</u>	<u>34,540,000</u>	<u>1,140,704</u>
From Intermediate Sources:				
County School Fund	9,077	15,000	15,000	(5,923)
Handicapped Children	266,918	400,000	400,000	(133,082)
Total From Intermediate Sources	<u>275,995</u>	<u>415,000</u>	<u>415,000</u>	<u>(139,005)</u>
From State Sources:				
School Support Fund	15,265,034	20,000,000	20,000,000	(4,734,966)
Common School Fund	549,599	550,000	550,000	(401)
Total From State Sources	<u>15,814,633</u>	<u>20,550,000</u>	<u>20,550,000</u>	<u>(4,735,367)</u>
From Federal Sources:				
ARRA Stimulus Funds	3,432,027	-	-	3,432,027
Federal Forest Fees	122,582	135,000	135,000	(12,418)
Total From Federal Sources	<u>3,554,609</u>	<u>135,000</u>	<u>135,000</u>	<u>3,419,609</u>
Sales/Compensation for Loss of Fixed Assets	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>(10,000)</u>
Total Revenues	<u>\$ 55,325,941</u>	<u>\$ 55,650,000</u>	<u>\$ 55,650,000</u>	<u>\$ (324,059)</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
YEAR ENDED JUNE 30, 2011**

EXPENDITURES:	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
Instruction:				
Regular Programs:				
Primary, K-3	\$ 5,191,966	\$ 2,205,023	\$ 36,248	\$ 175,300
Intermediate Programs	3,671,448	1,429,527	47,568	253,894
Jr. High Programs	2,505,866	1,044,483	29,683	142,478
Jr. High School Extra-curricular	145,746	21,231	12,064	5,240
High School Programs	5,687,660	2,314,892	72,152	432,430
High School Extra-curricular	960,359	179,894	85,880	64,037
Special Programs:				
Talented and Gifted	253,545	97,511	551	2,682
More Restrictive Special Programs	1,125,534	631,315	494,393	7,005
Less Restrictive Special Programs	1,832,047	921,720	7,551	3,628
Alternative Education	20,712	1,922	220,854	3,355
English 2nd Language	104,918	45,574	921	779
Total Instruction	21,499,801	8,893,092	1,007,865	1,090,828
Support Services:				
Students:				
Guidance Services	881,562	373,652	308	910
Health Services	62,532	32,029	1,133	3,072
Psychological Services	208,493	54,890	10,227	4,579
Speech Pathology and Audiology	364,528	135,103	23,703	188
Service Direction, Student Support	159,003	53,029	4,353	2,756
Instructional Staff:				
Improvement of Instruction	460,223	326,943	46,105	16,999
Educational Media	495,292	268,041	15,735	57,016
Assessment and Testing	-	-	-	3,938
General Administration:				
Board of Education	-	-	125,123	-
Executive Administration	266,225	78,680	2,496	4,538
School Administration - Office of the Principal	2,710,793	1,111,158	37,798	46,639
Business:				
Fiscal Services	413,972	186,152	32,721	435
Operation & Maintenance of Plant	1,830,667	917,103	2,087,059	244,127
Student Transportation	-	-	2,215,479	133,330
Central Activities:				
Information	75,247	31,882	12,187	354
Staff	192,377	90,474	28,583	17,205
Technology	229,714	101,040	68,805	48,346
Supplemental Retirement Program	363,979	453,490	-	-
Total Support Services	8,714,607	4,213,666	4,711,815	584,432
Facilities Acquisition and Construction				
Facilities Acquisitions/Improvements	-	-	-	-

<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
7,173	\$ -	\$ 7,615,710	\$ 7,944,747	\$ 7,944,747	\$ 329,037
13,429	-	5,415,866	6,008,999	6,008,999	593,133
4,196	-	3,726,706	4,163,544	4,163,544	436,838
-	-	184,281	247,057	247,057	62,776
44,836	-	8,551,970	9,188,636	9,188,636	636,666
4,918	27,314	1,322,402	1,312,341	1,312,341	(10,061)
-	-	354,289	490,772	490,772	136,483
1,502	-	2,259,749	2,413,242	2,413,242	153,493
2,424	-	2,767,370	2,880,578	2,880,578	113,208
-	-	246,843	206,728	206,728	(40,115)
-	-	152,192	151,350	151,350	(842)
<u>78,478</u>	<u>27,314</u>	<u>32,597,378</u>	<u>35,007,994</u>	<u>35,007,994</u>	<u>2,410,616</u>
-	1,645	1,258,077	1,383,053	1,383,053	124,976
170	-	98,936	94,110	94,110	(4,826)
-	-	278,189	337,553	337,553	59,364
-	-	523,522	549,139	549,139	25,617
-	-	219,141	232,446	232,446	13,305
-	192	850,462	915,670	915,670	65,208
1,838	-	837,922	956,090	956,090	118,168
-	-	3,938	10,000	10,000	6,062
-	11,197	136,320	137,000	137,000	680
-	3,477	355,416	363,031	363,031	7,615
8,990	1,653	3,917,031	3,977,526	3,977,526	60,495
-	4,501	637,781	646,484	646,484	8,703
80,226	265,661	5,424,843	5,883,420	5,883,420	458,577
-	-	2,348,809	2,374,965	2,374,965	26,156
-	-	119,670	134,067	134,067	14,397
-	-	328,639	344,682	344,682	16,043
104,046	-	551,951	680,769	680,769	128,818
-	-	817,469	810,000	810,000	(7,469)
<u>195,270</u>	<u>288,326</u>	<u>18,708,116</u>	<u>19,830,005</u>	<u>19,830,005</u>	<u>1,121,889</u>
-	-	-	1	1	1

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND (Continued)
YEAR ENDED JUNE 30, 2011**

	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
EXPENDITURES (Cont.):				
Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 30,214,408</u>	<u>\$ 13,106,758</u>	<u>\$ 5,719,680</u>	<u>\$ 1,675,260</u>
Excess of Revenues Over, (Under) Expenditures				
Other Financing Sources, (Uses):				
Transfers Out				
Total Other Financing Sources, (Uses)				
Net Change in Fund Balance				
Beginning Fund Balance				
Ending Fund Balance				

<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
\$ -	\$ 2,658,372	\$ 2,658,372	\$ 2,550,000	\$ 2,650,000	\$ (8,372)
-	-	-	500,000	400,000	400,000
<u>\$ 273,748</u>	<u>\$ 2,974,012</u>	53,963,866	57,888,000	57,888,000	3,924,133
		1,362,075	(2,238,000)	(2,238,000)	3,600,075
		<u>(37,216)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>162,784</u>
		<u>(37,216)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>162,784</u>
		1,324,859	(2,438,000)	(2,438,000)	3,762,859
		<u>5,161,551</u>	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,361,551</u>
		<u>\$ 6,486,410</u>	<u>\$ 362,000</u>	<u>\$ 362,000</u>	<u>\$ 6,124,410</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) – COMMUNITY CONTRIBUTIONS FUND
YEAR ENDED JUNE 30, 2011**

REVENUES:

Local Sources:

Contributions and Donations

Detail by Object

	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
EXPENDITURES:				
Instruction:				
Regular Programs:				
Primary K-3	\$ 361,854	\$ 111,823	\$ -	\$ 161
Intermediate Programs	219,981	106,178	-	8,380
Jr. High Programs	137,612	52,871	-	2,944
High School Programs	233,296	97,567	-	(5,742)
High School Extra-curricular	-	-	(1,200)	2,308
Other Special Programs	-	-	-	796
Total Instruction	<u>952,743</u>	<u>368,439</u>	<u>(1,200)</u>	<u>8,847</u>
Support Services:				
Pupils:				
Improvement of Instruction	-	-	-	-
Instructional Staff and Educational Media	-	-	-	1,886
School Administration - Office of the Principal	-	-	17,180	8,539
Business:				
Operation and Maintenance	-	-	-	-
Total Support Services	<u>-</u>	<u>-</u>	<u>17,180</u>	<u>10,425</u>
Facilities Acquisition and Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 952,743</u>	<u>\$ 368,439</u>	<u>\$ 15,980</u>	<u>\$ 19,272</u>

Excess of Revenues Over (Under) Expenditures

Beginning Fund Balance

Ending Fund Balance

		<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
		\$ 1,568,706	\$ 2,418,000	\$ 2,418,000	\$ (849,294)
<u>Detail by Object</u>					
<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>				
\$ (148)	\$ -	473,690	523,000	523,000	49,310
46,753	-	381,292	535,000	535,000	153,708
25,572	-	218,999	332,000	332,000	113,001
52,610	-	377,731	701,000	701,000	323,269
(4,887)	-	(3,779)	11,000	11,000	14,779
-	-	796	3,000	3,000	2,204
<u>119,900</u>	<u>-</u>	<u>1,448,729</u>	<u>2,105,000</u>	<u>2,105,000</u>	<u>656,271</u>
-	-	-	20,000	20,000	20,000
-	-	1,886	45,000	45,000	43,114
-	-	25,719	20,000	20,000	(5,719)
<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
<u>-</u>	<u>-</u>	<u>27,605</u>	<u>165,000</u>	<u>165,000</u>	<u>137,395</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>98,000</u>	<u>98,000</u>	<u>98,000</u>
<u>-</u>	<u>78,818</u>	<u>78,818</u>	<u>90,000</u>	<u>90,000</u>	<u>11,182</u>
<u>\$ 119,900</u>	<u>\$ 78,818</u>	<u>1,555,152</u>	<u>2,458,000</u>	<u>2,458,000</u>	<u>902,848</u>
		13,554	(40,000)	(40,000)	53,554
		<u>84,010</u>	<u>40,000</u>	<u>40,000</u>	<u>44,010</u>
		<u>\$ 97,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,564</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011**

	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources:				
Taxes-Current Levy	\$ 5,825,533	\$ 5,828,000	\$ 5,828,000	\$ (2,467)
Taxes-Prior Levies	261,532	175,000	175,000	86,532
Earnings on Investments	15,769	17,000	17,000	(1,231)
Total Revenues	<u>6,102,834</u>	<u>6,020,000</u>	<u>6,020,000</u>	<u>82,834</u>
EXPENDITURES:				
Debt Service:				
Long-Term Debt Service:				
Redemption of Principal	2,190,000	2,190,000	2,190,000	-
Interest	3,709,531	3,710,000	3,710,000	469
Total Expenditures	<u>5,899,531</u>	<u>5,900,000</u>	<u>5,900,000</u>	<u>469</u>
Excess of Revenues Over, (Under) Expenditures	203,303	120,000	120,000	83,303
Beginning Fund Balance	<u>143,387</u>	<u>30,000</u>	<u>30,000</u>	<u>113,387</u>
Ending Fund Balance	<u>\$ 346,690</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 196,690</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2011**

REVENUES:

From Local Sources:

Interest Income

Contributions and Miscellaneous

From Intermediate Sources:

SB 1149 Energy Program

Total Revenues

Detail by Object

	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
EXPENDITURES:				
Instruction	\$ -	\$ -	\$ -	\$ 35,572
Support Services	-	-	-	-
Facilities Acquisition and Service Direction	63,385	15,816	1,960,889	55,827
Debt Service	-	-	-	-
Operating Contingency	-	-	-	-
Total Expenditures	<u>\$ 63,385</u>	<u>\$ 15,816</u>	<u>\$ 1,960,889</u>	<u>\$ 55,827</u>

Excess of Expenditures Over Revenues

Other Financing Sources and (Uses):

Proceeds from Issuance of Long-term Debt

Transfers Out

Net Other Financing Sources (Uses)

Excess of Expenditures Over Revenues and Other Financing Sources

Beginning Fund Balance

Ending Fund Balance

		<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
		\$ 1,015	\$ 5,000	\$ 5,000	\$ (3,985)
		796,554	-	-	796,554
		<u>502,997</u>	<u>325,000</u>	<u>325,000</u>	<u>177,997</u>
		1,300,566	330,000	330,000	970,566
<u>Detail by Object</u>					
<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>				
\$ 6,072	\$ -	41,644	1	50,001	8,357
-	-	-	1	1	1
3,987,553	2,812	6,086,282	7,085,000	7,085,000	998,718
-	363,797	363,797	125,002	250,002	(113,795)
<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>75,000</u>	<u>75,000</u>
<u>\$ 3,987,553</u>	<u>\$ 366,609</u>	<u>6,491,723</u>	<u>7,460,004</u>	<u>7,460,004</u>	<u>968,281</u>
		(5,191,157)	(7,130,004)	(7,130,004)	1,938,847
		3,000,000	7,000,000	7,000,000	(4,000,000)
		<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>2</u>
		<u>3,000,000</u>	<u>6,999,999</u>	<u>6,999,999</u>	<u>(3,999,998)</u>
		(2,191,157)	(130,005)	(130,005)	(2,061,151)
		<u>2,626,159</u>	<u>130,005</u>	<u>130,005</u>	<u>2,496,154</u>
		<u>\$ 435,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,003</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GRANTS FUND	COMMUNITY SERVICES FUND	STUDENT ACTIVITY FUND	FOOD SERVICE FUND	
ASSETS:					
Cash and Investments	\$ 250	\$ 400	\$ 1,750,978	\$ 150	\$ 1,751,778
Interfund Receivables	4,815	273,129	-	35,129	313,073
Accounts Receivable	698,151	-	-	55,025	753,176
Inventory of Supplies	-	-	-	47,831	47,831
Total Assets	\$ 703,216	\$ 273,529	\$ 1,750,978	\$ 138,135	\$ 2,865,858
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payables	\$ 623,398	\$ -	\$ -	\$ -	\$ 623,398
Accrued Payroll and Benefits	79,597	76,702	-	46,803	203,102
Deferred Revenue	221	196,827	-	43,501	240,549
Total Liabilities	703,216	273,529	-	90,304	1,067,049
Fund Balances:					
Nonspendable	-	-	-	47,831	47,831
Committed to student activities	-	-	1,750,978	-	1,750,978
Total Fund Balances	-	-	1,750,978	47,831	1,798,809
Total Liabilities and Fund Balances	\$ 703,216	\$ 273,529	\$ 1,750,978	\$ 138,135	\$ 2,865,858

LAKE OSWEGO SCHOOL DISTRICT NO.7J**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GRANTS FUND	COMMUNITY SERVICES FUND	STUDENT ACTIVITY FUND	FOOD SERVICE FUND	
REVENUES:					
Local Sources:	\$ -	\$ 2,681,024	\$ 2,501,525	\$ 1,133,782	\$ 6,316,331
State Sources	-	-	-	14,192	14,192
Federal Sources	1,757,243	-	-	339,901	2,097,144
Total Revenues	1,757,243	2,681,024	2,501,525	1,487,875	8,427,667
EXPENDITURES:					
Current:					
Instruction	1,064,877	-	2,679,293	-	3,744,170
Support Services	595,814	-	-	-	595,814
Enterprise and Community Services	-	2,656,993	-	1,514,844	4,171,837
Capital Outlay	16,303	3,954	-	38,138	58,395
Debt Service	80,249	50,066	-	70,400	200,715
Total Expenditures	1,757,243	2,711,013	2,679,293	1,623,382	8,770,931
Excess of Revenues Over, (Under) Expenditures	-	(29,989)	(177,768)	(135,507)	(343,264)
Other Financing Sources:					
Transfer In	-	29,989	-	7,227	37,216
Excess of Revenues and Other Sources Over, (Under) Expenditures	-	-	(177,768)	(128,280)	(306,048)
Increase in Inventories	-	-	-	21,723	21,723
Beginning Fund Balance	-	-	1,928,746	154,388	2,083,134
Ending Fund Balance	\$ -	\$ -	\$ 1,750,978	\$ 47,831	\$ 1,798,809

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GRANTS FUND
YEAR ENDED JUNE 30, 2011**

REVENUES:

- Local Sources:
 - Contributions and Donations
- Intermediate Sources:
 - Grants-In-Aid
- State Sources:
 - Grants-In-Aid
- Federal Sources:
 - Grants-In-Aid

Total Revenues

Detail by Object

	<u>SALARIES</u>	<u>EMPLOYEE BENEFITS</u>	<u>PURCHASED SERVICES</u>	<u>SUPPLIES & MATERIALS</u>
EXPENDITURES:				
Instruction:				
Special Programs:				
More Restrictive Programs	\$ 333,938	\$ 195,809	\$ 10,500	\$ -
Less Restrictive Programs	179,644	88,124	25,956	8,917
Title I Programs	136,517	72,047	5,955	7,333
Other Programs	-	-	-	137
Total Instruction	<u>650,099</u>	<u>355,980</u>	<u>42,411</u>	<u>16,387</u>
Support Services:				
Students:				
Guidance Services	-	-	-	-
Psychological Services	109,388	38,087	-	11,355
Service Direction, Student Support	239,359	116,737	7,502	1,295
Instructional Staff:				
Improvement of Instruction	44,702	5,647	18,880	2,862
Student Assessment	-	-	-	-
Central Activities:				
Indirect Costs	-	-	-	-
Total Support Services	<u>393,449</u>	<u>160,471</u>	<u>26,382</u>	<u>15,512</u>
Facilities acquisition and service direction				
Debt Service - Interest	-	-	-	-
Total Expenditures	<u>\$ 1,043,548</u>	<u>\$ 516,451</u>	<u>\$ 68,793</u>	<u>\$ 31,899</u>

Excess of Revenues Over, (Under) Expenditures

Beginning Fund Balance

Ending Fund Balance

		<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
		\$ -	\$ 4,000	\$ 4,000	\$ (4,000)
		-	46,000	46,000	(46,000)
		-	30,000	30,000	(30,000)
		<u>1,757,243</u>	<u>2,519,000</u>	<u>2,519,000</u>	<u>(761,757)</u>
		1,757,243	2,599,000	2,599,000	(841,757)
<u>Detail by Object</u>					
<u>CAPITAL OUTLAY</u>	<u>OTHER OBJECTS</u>				
\$ -	\$ -	540,247	-	-	(540,247)
6,212	-	308,853	1,530,000	1,530,000	1,221,147
10,091	-	231,943	225,000	225,000	(6,943)
-	-	137	-	-	(137)
<u>16,303</u>	<u>-</u>	<u>1,081,180</u>	<u>1,755,000</u>	<u>1,755,000</u>	<u>673,820</u>
-	-	-	22,000	22,000	22,000
-	-	158,830	-	-	(158,830)
-	-	364,893	411,000	411,000	46,107
-	-	72,091	250,000	250,000	177,909
-	-	-	12,500	12,500	12,500
-	-	-	<u>57,500</u>	<u>57,500</u>	<u>57,500</u>
-	-	595,814	753,000	753,000	157,186
-	-	-	-	-	-
-	80,249	80,249	91,000	91,000	10,751
<u>\$ 16,303</u>	<u>\$ 80,249</u>	<u>1,757,243</u>	<u>2,599,000</u>	<u>2,599,000</u>	<u>841,757</u>
		-	-	-	-
		-	-	-	-
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) - COMMUNITY SERVICES FUND
YEAR ENDED JUNE 30, 2011**

REVENUES:	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
Local Sources, Community Service Activities:				
Community Services Tuition	\$ 1,449,786	\$ 1,580,000	\$ 1,580,000	\$ (130,214)
Extended Child Care Fees	1,134,487	1,250,000	1,250,000	(115,513)
Driver's Ed. Fees	-	90,000	90,000	(90,000)
Rent From School Facility	-	10,000	10,000	(10,000)
Miscellaneous	96,751	160,000	160,000	(63,249)
Total Revenues	2,681,024	3,090,000	3,090,000	(408,976)
EXPENDITURES:				
Enterprise and Community Services				
Other Enterprise:				
Community Recreation:				
Salaries	373,551	460,000	460,000	86,449
Employee Benefits	114,742	150,000	150,000	35,258
Purchased Services	599,121	650,000	650,000	50,879
Supplies & Materials	275,659	395,000	395,000	119,341
Capital Outlay	3,954	5,000	5,000	1,046
Other Objects	4,981	10,000	10,000	5,019
Swim Pool:				
Salaries	89,170	125,000	125,000	35,830
Employee Benefits	9,779	29,000	29,000	19,221
Purchased Services	87,534	160,000	160,000	72,466
Supplies & Materials	19,248	20,000	20,000	752
Other Objects	-	1,000	1,000	1,000
Custody and Care of Children:				
Salaries	663,704	680,000	680,000	16,296
Employee Benefits	304,059	365,000	365,000	60,941
Purchased Services	34,300	40,000	40,000	5,700
Supplies & Materials	76,877	80,000	80,000	3,123
Capital Outlay	4,268	5,000	5,000	732
Total Enterprise and Community Services	2,660,947	3,175,000	3,175,000	514,053
Debt Service	50,066	40,000	40,000	(10,066)
Total Expenditures	2,711,013	3,215,000	3,215,000	503,987
Excess of Revenues Over (Under) Expenditures	(29,989)	(125,000)	(125,000)	95,011
Other Financing Sources:				
Transfers In	29,989	125,000	125,000	(95,011)
Excess of Revenues Over, (Under) Expenditures and Other Financing Sources	-	-	-	-
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) - STUDENT ACTIVITY FUND
YEAR ENDED JUNE 30, 2011**

REVENUES:	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>VARIANCE TO FINAL BUDGET</u>
Local Sources:				
Community Services Activities	\$ 2,501,525	\$ 2,850,000	\$ 2,850,000	\$ (348,475)
EXPENDITURES:				
Instruction:				
Regular Programs:				
Elementary-Extra-curricular:				
Supplies & Materials	275,925	350,000	350,000	74,075
Jr. High-Extra-curricular:				
Supplies & Materials	272,861	400,000	400,000	127,139
High School Extra-curricular:				
Supplies & Materials	<u>2,130,507</u>	<u>2,200,000</u>	<u>2,200,000</u>	<u>69,493</u>
Total Instruction	<u>2,679,293</u>	<u>2,950,000</u>	<u>2,950,000</u>	<u>270,707</u>
Excess of Revenues Over, (Under)				
Expenditures	(177,768)	(100,000)	(100,000)	(77,768)
Beginning Fund Balance	<u>1,928,746</u>	<u>1,750,000</u>	<u>1,750,000</u>	<u>178,746</u>
Ending Fund Balance	<u>\$ 1,750,978</u>	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</u>	<u>\$ 100,978</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS) - FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2011**

REVENUES:	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE TO FINAL BUDGET
Local Sources - Food Service:				
Food Service Sales	\$ 1,052,877	\$ 1,310,000	\$ 1,310,000	\$ (257,123)
Banquets & Miscellaneous	80,905	100,000	100,000	(19,095)
Total Local Sources - Food Service	1,133,782	1,410,000	1,410,000	(276,218)
State Sources:				
State School Support - Lunch Match	14,192	20,000	20,000	(5,808)
Federal Sources:				
National School Lunch Reimbursement	269,271	250,000	250,000	19,271
USDA Commodities	70,630	95,000	95,000	(24,370)
Total Federal Sources	339,901	345,000	345,000	(5,099)
Total Revenues	1,487,875	1,775,000	1,775,000	(287,125)
EXPENDITURES:				
Enterprise and Community Services:				
Food Services:				
Salaries	514,908	600,000	600,000	85,092
Employee Benefits	197,965	265,000	265,000	67,035
Purchased Services	23,627	65,000	65,000	41,373
Supplies & Materials	774,560	915,000	915,000	140,440
Capital Outlay	38,138	60,000	60,000	21,862
Other Objects	3,784	5,000	5,000	1,216
Total Enterprise and Community Services	1,552,982	1,910,000	1,910,000	357,018
Debt Service - Other Objects	70,400	80,000	80,000	9,600
Total Expenditures	1,623,382	1,990,000	1,990,000	366,618
Excess of Revenues Over, (Under) Expenditures	(135,507)	(215,000)	(215,000)	79,493
Other Financing Sources:				
Proceeds from Issuance of Long-Term Debt	-	140,000	140,000	(140,000)
Transfer In	7,227	75,000	75,000	(67,773)
Total Other Financing Sources	7,227	215,000	215,000	(207,773)
Excess of Revenue and Other Financing Sources Over, (Under) Expenditures	(128,280)	-	-	(128,280)
Beginning Fund Balance	128,280	-	-	128,280
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

OTHER FINANCIAL SCHEDULES

LAKE OSWEGO SCHOOL DISTRICT NO.7J
SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS
JUNE 30, 2011

<u>Year</u>	<u>August 4, 2005</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011-12	\$ 2,390,000	\$ 3,589,082	\$ 5,979,082
2012-13	2,640,000	3,499,456	6,139,456
2013-14	2,925,000	3,389,686	6,314,686
2014-15	3,235,000	3,257,506	6,492,506
2015-16	3,585,000	3,089,770	6,674,770
2016-17	3,970,000	2,901,556	6,871,556
2017-18	4,375,000	2,693,132	7,068,132
2018-19	4,830,000	2,463,444	7,293,444
2019-20	5,320,000	2,209,870	7,529,870
2020-21	5,840,000	1,930,568	7,770,568
2021-22	6,380,000	1,639,970	8,019,970
2022-23	6,970,000	1,305,018	8,275,018
2023-24	7,605,000	939,094	8,544,094
2024-25	8,275,000	539,832	8,814,832
2025-26	2,555,000	105,394	2,660,394
2026-27	-	-	-
2027-28	-	-	-
	<u>\$ 70,895,000</u>	<u>\$ 33,553,378</u>	<u>\$ 104,448,378</u>

PERS UAL Limited Tax Pension Bonds

PERS UAL Limited Tax Pension Bonds - 2002 Issue			PERS UAL Limited Tax Pension Bonds - 2003 Issue		
Principal	Interest	Total	Principal	Interest	Total
\$ 406,362	\$ 1,234,082	\$ 1,640,444	\$ 423,871	\$ 670,214	\$ 1,094,085
428,867	1,296,577	1,725,444	428,810	716,452	1,145,262
447,785	1,367,659	1,815,444	441,257	773,884	1,215,141
467,167	1,448,277	1,915,444	436,586	831,005	1,267,591
479,712	1,535,732	2,015,444	442,522	901,150	1,343,672
487,132	1,628,312	2,115,444	437,966	964,626	1,402,592
496,372	1,729,072	2,225,444	444,579	1,049,523	1,494,102
504,223	1,836,221	2,340,444	434,825	1,119,496	1,554,321
508,488	1,946,956	2,455,444	439,448	1,212,564	1,652,012
1,595,000	985,444	2,580,444	433,158	1,294,061	1,727,219
1,810,000	897,719	2,707,719	438,095	1,397,387	1,835,482
2,040,000	798,531	2,838,531	432,655	1,478,843	1,911,498
2,290,000	686,535	2,976,535	1,625,000	500,985	2,125,985
2,565,000	559,440	3,124,440	1,800,000	409,812	2,209,812
2,860,000	417,082	3,277,082	2,045,000	307,572	2,352,572
3,175,000	258,352	3,433,352	2,250,000	191,416	2,441,416
1,480,000	82,140	1,562,140	1,120,000	63,616	1,183,616
\$ 22,041,108	\$ 18,708,131	\$ 40,749,239	\$ 14,073,772	\$ 13,882,606	\$ 27,956,378

LAKE OSWEGO SCHOOL DISTRICT NO.7J

SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS (Continued)

JUNE 30, 2011

<u>Year</u>	<u>Total of all Bond Issues</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011-12	\$ 3,220,233	\$ 5,493,378	\$ 8,713,611
2012-13	3,497,677	5,512,485	9,010,162
2013-14	3,814,042	5,531,229	9,345,271
2014-15	4,138,753	5,536,788	9,675,541
2015-16	4,507,234	5,526,652	10,033,886
2016-17	4,895,098	5,494,494	10,389,592
2017-18	5,315,951	5,471,727	10,787,678
2018-19	5,769,048	5,419,161	11,188,209
2019-20	6,267,936	5,369,390	11,637,326
2020-21	7,868,158	4,210,073	12,078,231
2021-22	8,628,095	3,935,076	12,563,171
2022-23	9,442,655	3,582,392	13,025,047
2023-24	11,520,000	2,126,614	13,646,614
2024-25	12,640,000	1,509,084	14,149,084
2025-26	7,460,000	830,048	8,290,048
2026-27	5,425,000	449,768	5,874,768
2027-28	2,600,000	145,756	2,745,756
	<u>\$ 107,009,880</u>	<u>\$ 66,144,115</u>	<u>\$ 173,153,995</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF NOTES PAYABLE AND FULL FAITH & CREDIT OBLIGATION REDEMPTION AND INTEREST REQUIREMENTS**

JUNE 30, 2011

<i>Year</i>	<i>Notes Payable</i>					
	<i>June 28, 2010</i>			<i>June 30, 2007</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011-12	\$ 126,289	\$ 13,617	\$ 139,906	\$ 25,482	\$ 16,946	\$ 42,428
2012-13	129,786	10,120	139,906	26,721	15,709	42,430
2013-14	133,379	6,527	139,906	28,018	14,410	42,428
2014-15	137,072	2,834	139,906	29,379	13,049	42,428
2015-16	-	-	-	30,807	11,622	42,429
2016-17	-	-	-	32,303	10,125	42,428
2017-18	-	-	-	33,872	8,557	42,429
2018-19	-	-	-	35,517	6,911	42,428
2019-20	-	-	-	37,242	5,186	42,428
2020-21	-	-	-	39,051	3,377	42,428
2021-22	-	-	-	40,950	1,482	42,432
	<u>\$ 526,526</u>	<u>\$ 33,098</u>	<u>\$ 559,624</u>	<u>\$ 359,342</u>	<u>\$ 107,374</u>	<u>\$ 466,716</u>

<i>Year</i>	<i>Full Faith & Credit Obligations</i>					
	<i>July 14, 2005</i>			<i>April 15, 2010</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011-12	\$ 210,000	\$ 107,073	\$ 317,073	\$ -	\$ 34,100	\$ 34,100
2012-13	100,000	99,197	199,197	1,100,000	34,100	1,134,100
2013-14	100,000	95,198	195,198	-	-	-
2014-15	100,000	91,197	191,197	-	-	-
2015-16	105,000	87,198	192,198	-	-	-
2016-17	110,000	83,417	193,417	-	-	-
2017-18	115,000	79,348	194,348	-	-	-
2018-19	120,000	75,035	195,035	-	-	-
2019-20	125,000	70,535	195,535	-	-	-
2020-21	125,000	65,610	190,610	-	-	-
2021-22	130,000	60,422	190,422	-	-	-
2022-23	140,000	55,028	195,028	-	-	-
2023-24	145,000	49,217	194,217	-	-	-
2024-25	150,000	43,200	193,200	-	-	-
2025-26	155,000	36,975	191,975	-	-	-
2026-27	165,000	30,231	195,231	-	-	-
2027-28	170,000	23,055	193,055	-	-	-
2028-29	175,000	15,660	190,660	-	-	-
2029-30	185,000	8,048	193,048	-	-	-
	<u>\$ 2,625,000</u>	<u>\$ 1,175,644</u>	<u>\$ 3,800,644</u>	<u>\$ 1,100,000</u>	<u>\$ 68,200</u>	<u>\$ 1,168,200</u>

Total of all Notes Payable

Principal	Interest	Total
\$ 151,771	\$ 30,563	\$ 182,334
156,507	25,829	182,336
161,397	20,937	182,334
166,451	15,883	182,334
30,807	11,622	42,429
32,303	10,125	42,428
33,872	8,557	42,429
35,517	6,911	42,428
37,242	5,186	42,428
39,051	3,377	42,428
40,950	1,482	42,432
\$ 885,868	\$ 140,472	\$ 1,026,340

Full Faith & Credit Obligations

June 28, 2010			June 30, 2011		
Principal	Interest	Total	Principal	Interest	Total
\$ -	\$ 88,000	\$ 88,000	\$ -	\$ 150,000	150,000
4,000,000	88,000	4,088,000	3,000,000	150,000	3,150,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 4,000,000	\$ 176,000	\$ 4,176,000	\$ 3,000,000	\$ 300,000	\$ 3,300,000

LAKE OSWEGO SCHOOL DISTRICT NO.7J

SCHEDULE OF NOTES PAYABLE AND FULL FAITH & CREDIT OBLIGATION REDEMPTION AND INTEREST REQUIREMENTS (Continued)

JUNE 30, 2011

<i>Total of all FF&C's</i>			
<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011-12	\$ 210,000	\$ 379,173	\$ 589,173
2012-13	8,200,000	371,297	8,571,297
2013-14	100,000	95,198	195,198
2014-15	100,000	91,197	191,197
2015-16	105,000	87,198	192,198
2016-17	110,000	83,417	193,417
2017-18	115,000	79,348	194,348
2018-19	120,000	75,035	195,035
2019-20	125,000	70,535	195,535
2020-21	125,000	65,610	190,610
2021-22	130,000	60,422	190,422
2022-23	140,000	55,028	195,028
2023-24	145,000	49,217	194,217
2024-25	150,000	43,200	193,200
2025-26	155,000	36,975	191,975
2026-27	165,000	30,231	195,231
2027-28	170,000	23,055	193,055
2028-29	175,000	15,660	190,660
2029-30	185,000	8,048	193,048
	<u>\$ 10,725,000</u>	<u>\$ 1,719,844</u>	<u>\$ 12,444,844</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED -
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2010	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED June 30, 2011
Current:						
2010-11	\$ 34,101,150	\$ 830,246	\$ (263,777)	\$ 1,252	\$ 31,916,016	\$ 1,092,363
Prior Years:						
2009-10	1,240,706	(1,831)	(80,057)	61,351	736,233	487,598
2008-09	548,010	(329)	(23,977)	58,893	325,430	257,825
2007-08	200,854	32	(8,210)	41,253	162,743	71,121
2006-07	64,983	(74)	(4,237)	16,275	57,213	19,882
2005-06	14,241	(2)	(1,687)	1,838	5,308	9,087
2004-05	9,826	(0)	(1,695)	1,179	3,084	6,226
2003-04	7,468	0	(2,460)	216	497	4,727
2002-03	9,320	0	(5,191)	414	876	3,668
2001-02	5,695	0	(2,452)	139	275	3,106
2000-01	3,950	0	(1,816)	94	180	2,049
1999-00	2,010	0	(878)	79	144	1,067
1998-99	1,247	0	(238)	68	121	957
1997-98	743	0	(60)	49	82	649
1996-97	688	0	(35)	0	0	652
1995-96	584	0	(15)	0	0	569
1994-95 & Prior	2,205	0	(24)	7	9	2,179
Total Prior	<u>2,112,530</u>	<u>(2,204)</u>	<u>(133,032)</u>	<u>181,857</u>	<u>1,292,196</u>	<u>871,362</u>
Total	<u>\$ 36,213,680</u>	<u>\$ 828,042</u>	<u>\$ (396,809)</u>	<u>\$ 183,109</u>	<u>\$ 33,208,212</u>	<u>\$ 1,963,725</u>
RECONCILIATION TO REVENUE:						
						\$ 33,208,212
Cash Collections by County Treasurers Above						
Accrual of Current Receivables:						
June 30, 2011						188,922
June 30, 2010						(195,132)
Taxes in Lieu of Property Taxes						<u>299</u>
Total Revenue						<u>\$ 33,202,301</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED -
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011**

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2010	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED June 30, 2011
Current:						
2010-11	\$ 6,201,414	\$ 150,985	\$ (47,964)	\$ 228	\$ 5,804,056	\$ 198,637
Prior Years:						
2009-10	278,878	(412)	(17,991)	13,790	165,491	109,597
2008-09	121,807	(73)	(5,330)	13,090	72,333	57,307
2007-08	44,237	7	(1,808)	9,085	35,843	15,664
2006-07	14,900	(17)	(971)	3,732	13,118	4,559
2005-06	3,613	(1)	(428)	466	1,347	2,305
2004-05	2,592	(0)	(447)	311	813	1,643
2003-04	2,066	0	(681)	60	137	1,308
2002-03	2,468	0	(1,374)	110	232	971
2001-02	1,507	0	(649)	37	73	822
2000-01	300	0	(138)	7	14	156
1999-00	470	0	(205)	18	34	249
1998-99	319	0	(61)	17	31	245
1997-98	197	0	(16)	13	22	172
1996-97	80	0	(4)	0	0	76
1995-96	66	0	(2)	0	0	64
1994-95 & Prior	195	0	(4)	0	0	191
Total Prior	473,694	(495)	(30,109)	40,736	289,487	195,329
Total	\$ 6,675,108	\$ 150,490	\$ (78,074)	\$ 40,964	\$ 6,093,543	\$ 393,966

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurers Above	\$ 6,093,543
Accrual of Current Receivables:	
June 30, 2010	(43,788)
June 30, 2011	37,504
Taxes in Lieu of Property Taxes	(194)
Total Revenue	\$ 6,087,065

LAKE OSWEGO SCHOOL DISTRICT NO.7J

**SUPPLEMENTAL INFORMATION - AS REQUIRED BY THE OREGON DEPARTMENT OF EDUCATION,
FORM 581-3211-C (Rev 4/07)
YEAR ENDED JUNE 30, 2011**

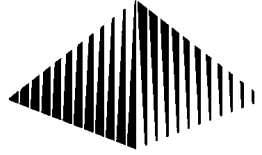
A. Energy Bill for Heating - All Funds

<u>Function</u>	<u>Objects 325 and 326</u>
2540	\$ 1,058,877
2550	-

**B. Replacement of Equipment - General Fund - All except excluded
Functions - Object 542**

6,000

***INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS***



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Lake Oswego School District 7J
Lake Oswego, Oregon

We have audited the basic financial statements of Lake Oswego School District No. 7J, Clackamas County, Oregon as of and for the year ended June 30, 2011, and have issued our report thereon dated January 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lake Oswego School District No. 7J's financial statements are free of material misstatement, we performed tests of its 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 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.

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

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

In connection with our testing nothing came to our attention that caused us to believe the District 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:

- Expenditures exceeded appropriations for June 30, 2011 as noted in the financial statements.

OAR 162-10-0230 Internal Control


In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Oswego School District No. 7J (the District) as of and for the year ended June 30, 2011 in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information and use of management, and School Board of Lake Oswego School District No. 7J and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder
January 5, 2012

GRANT COMPLIANCE SECTION

LAKE OSWEGO SCHOOL DISTRICT NO.7J
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

<u>Source/Grant Title</u>	<u>Federal CFDA Number</u>	<u>Sub-Grant I.D. No.</u>
U.S. DEPARTMENT OF EDUCATION:		
Passed Through State Department of Education:		
Title IA (formerly Chapter I)	84.010	19438
Title IA (formerly Chapter I)	84.010	16579
Subtotal Title I, Part A Cluster		
IDEA Part B, Section 611	84.027	17773
IDEA Part B, Section 611	84.027	20314
IDEA Part B, Section 611, ARRA	84.391	15221
IDEA Enhancement	84.027	21343
IDEA Enhancement	84.027	18540
IDEA Extended Assessment	84.027	21498
IDEA Extended Assessment	84.027	18287
IDEA Extended Assessment	84.027	18826
IDEA Part B, Section 619	84.027	21810
IDEA SPR & I	84.027	19992
IDEA SPR & I	84.027	17485
Subtotal Special Education Cluster (IDEA)		
Title IV Safe & Drug Free Schools	84.186	17081
Title IIA Improving Teacher Quality	84.367	19647
Title IIA Improving Teacher Quality	84.367	16775
Title IIA Improving Teacher Quality	84.367	13034
Subtotal Title IIA Improving Teacher Quality		
ARRA - State Fiscal Stabilization Fund	84.394	17189
ARRA - State Fiscal Stabilization Fund	84.394	21026
ARRA - State Fiscal Stabilization Fund	84.394	15408
Subtotal ARRA - State Fiscal Stabilization Fund Cluster		
ARRA - Education Jobs Fund - Through Clackamas Education Service District	84.410	N/A
ARRA - Education Jobs Fund	84.410	20815
Subtotal ARRA Education Jobs Fund		
TOTAL U.S. DEPARTMENT OF EDUCATION		
U.S. DEPARTMENT OF AGRICULTURE:		
Passed Through State Department of Education:		
National School Lunch Program - Breakfast	10.553	N/A
National School Lunch Program - Lunch	10.555	N/A
National School Lunch Program - Commodities	10.555	N/A
Subtotal Child Nutrition Cluster		
Passed Through Clackamas County:		
Federal Forest Fees	10.665	N/A
Subtotal Schools and Roads Cluster		
TOTAL U.S. DEPARTMENT OF AGRICULTURE		
U.S. DEPARTMENT OF ENERGY		
State Energy Program - Lighting Upgrades	81.041	SEP 10-1193
TOTAL FEDERAL ASSISTANCE		
RECONCILIATION TO REVENUE:		
Cash Receipts per Schedule Above		
Grants Receivable / Deferred Revenue Beginning of Year		
Amounts Received after 9/30/11 and not Recognized as Revenue in 6/30/11 Govt Financials		
Grants Receivable / Deferred Revenue End of Year		
Federal Revenue Recognized		

Note: This schedule is prepared on the District's budgetary basis of accounting, described in the notes to the financial statements.

Award Amount	Cash Received	Expenditures (Budgetary Basis)
\$253,847	\$ 188,686	\$ 238,457
192,069	192,069	4,001
	<u>380,755</u>	<u>242,458</u>
967,491	967,490	248,132
942,967	335,134	751,512
1,053,424	768,607	426,568
7,957	7,957	7,957
7,725	7,725	7,725
900	900	900
900	900	-
1,930	1,930	1,715
9,582	7,817	7,817
3,946	3,946	3,946
3,946	3,946	-
	<u>2,106,352</u>	<u>1,456,272</u>
12,343	12,343	7,999
99,415	-	1,576
151,002	46,125	48,989
64,146	54,158	(50)
	<u>100,283</u>	<u>50,515</u>
1,666,349	1,425,592	1,666,349
680,439	487,720	680,439
1,222,769	963,040	1,222,769
	<u>2,876,352</u>	<u>3,569,557</u> A
61,825	61,825	61,825
1,234,627	493,850	1,234,627 A
	<u>555,675</u>	<u>1,296,452</u>
	<u>6,031,760</u>	<u>6,623,253</u>
N/A	23,839	25,523
N/A	214,677	243,748
N/A	70,630	70,630
	<u>309,146</u>	<u>339,901</u>
N/A	122,582	122,582
	<u>122,582</u>	<u>122,582</u>
	<u>431,728</u>	<u>462,483</u>
215,371	186,199	-
	<u>\$ 6,649,687</u>	<u>\$ 7,085,736</u>
	\$ 6,649,687	
	(1,747,411)	
A	(1,433,982)	
	<u>2,183,459</u>	
	<u>\$ 5,651,753</u>	

LAKE OSWEGO SCHOOL DISTRICT NO.7J
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

PURPOSE OF THE SCHEDULE

The accompanying schedule of expenditures of federal awards (the "Schedule") is a supplementary schedule to the Lake Oswego School District No.7J's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the Lake Oswego School District No.7J, it is not intended to and does not present either the financial position, changes in fund balances, or the operating funds' revenues, expenditures and changes in the Lake Oswego School District No.7J.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Financial Assistance

Pursuant to the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

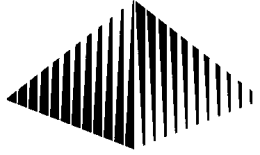
The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the Lake Oswego School District No.7J are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting Entity

The reporting entity is fully described in notes to the financial statements. Additionally, the Schedule includes all federal programs administered by the Lake Oswego School District No.7J for the year ended June 30, 2011.

Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded as received in cash or on the accrual basis where measurable and available. Expenditures are recorded when the liability is incurred.



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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(503) 581-7788

***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***

School Board
Lake Oswego School District No. 7J
Clackamas County, Oregon
Lake Oswego, Oregon

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Oswego School District No. 7J, Clackamas County, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the Lake Oswego School District No. 7J's basic financial statements and have issued our report thereon dated January 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Lake Oswego School District No. 7J's 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 Lake Oswego School District No. 7J's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake Oswego School District No. 7J's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

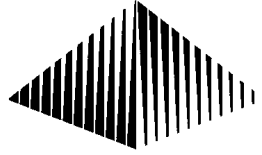
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Oswego School District No. 7J's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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


CERTIFIED PUBLIC ACCOUNTANTS

January 5, 2012



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133***

School Board
Lake Oswego School District No. 7J
Clackamas County, Oregon
Lake Oswego, Oregon

Compliance

We have audited Lake Oswego School District No. 7J, Clackamas County, Oregon's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Lake Oswego School District No. 7J, Clackamas County, Oregon, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the District's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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


CERTIFIED PUBLIC ACCOUNTANTS

January 5, 2012

LAKE OSWEGO SCHOOL DISTRICT NO.7J
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553 & 10.555	Child Nutrition Cluster
84.027 & 84.391	Special Education Cluster (IDEA/ARRA)
84.394	State Fiscal Stabilization Fund Cluster (ARRA)
84.410	Education Jobs Fund (ARRA)

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

STATISTICAL SECTION

LAKE OSWEGO SCHOOL DISTRICT NO.7J
BALANCE SHEETS - GENERAL FUND
LAST EIGHT FISCAL YEARS

	As of June 30,			
	2004	2005	2006	2007
ASSETS:				
Cash	\$ 8,381,800	\$ 3,971,251	\$ 11,759,578	\$ 14,606,928
Interfund Receivables	-	1,270,813	-	-
Receivables:				
Interest	-	4,269	29,127	-
Taxes	1,237,477	1,114,529	1,045,891	1,165,603
Accounts	199,511	327,636	535,933	815,765
Prepaid Expenses	17,350	50,968	-	28,968
Inventory of Supplies	138,180	146,141	159,187	118,073
Total Assets	\$ 9,974,318	\$ 6,885,607	\$ 13,529,716	\$ 16,735,337
LIABILITIES AND FUND EQUITY:				
Liabilities:				
Interfund Payables	\$ 328,518	\$ -	\$ 4,415,887	\$ 1,450,875
Intergovernmental Payable	93,896	109,536	123,427	146,154
Accrued Payroll and Benefits Payable	3,652,486	4,369,282	4,168,828	4,805,169
Accounts Payable	539,871	671,978	885,116	750,361
Tax Revenue Anticipation Note Payable	-	-	-	4,500,000
Accrued Interest Expense	-	-	-	172,660
Deferred Revenue-Taxes	1,149,510	1,011,624	953,911	1,061,769
Deferred Revenue-Others	1,040,752	27,072	27,072	514,778
Matured bond and coupons payable	-	-	-	-
Total Liabilities	6,805,033	6,189,492	10,574,241	13,401,766
Fund Equity:				
Fund Balances:				
Nonspendable	138,180	146,141	159,187	118,073
Unassigned	3,031,105	549,974	2,796,288	3,215,498
Total Fund Equity	3,169,285	696,115	2,955,475	3,333,571
Total Liabilities and Fund Equity	\$ 9,974,318	\$ 6,885,607	\$ 13,529,716	\$ 16,735,337

2008	2009	2010	2011
\$ 13,156,850	\$ 10,470,692	\$ 14,130,208	\$ 14,298,929
-	-	-	-
-	-	-	-
1,464,671	2,003,127	2,112,529	1,963,725
631,373	576,771	541,579	529,212
-	51,095	51,465	27,410
133,060	129,987	110,743	142,129
<u>\$ 15,385,954</u>	<u>\$ 13,231,672</u>	<u>\$ 16,946,524</u>	<u>\$ 16,961,405</u>
\$ 1,886,057	\$ 389,039	\$ 2,663,111	\$ 1,514,273
178,176	220,082	46,592	84,481
4,788,813	5,746,471	5,578,026	4,178,136
2,148,855	994,103	1,469,106	2,732,913
-	-	-	-
-	-	-	-
1,344,957	1,822,755	1,917,395	1,774,802
557,596	1,326,212	-	48,261
-	446	-	-
<u>10,904,454</u>	<u>10,499,108</u>	<u>11,674,230</u>	<u>10,332,866</u>
133,060	129,987	110,743	142,129
<u>4,348,440</u>	<u>2,602,577</u>	<u>5,161,551</u>	<u>6,486,410</u>
<u>4,481,500</u>	<u>2,732,564</u>	<u>5,272,294</u>	<u>6,628,539</u>
<u>\$ 15,385,954</u>	<u>\$ 13,231,672</u>	<u>\$ 16,946,524</u>	<u>\$ 16,961,405</u>

LAKE OSWEGO SCHOOL DISTRICT NO.7J**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND
LAST EIGHT FISCAL YEARS**

	For the Year Ended June 30,			
	2004	2005	2006	2007
REVENUES:				
From Local Sources:				
Taxes	\$ 23,423,083	\$ 25,041,068	\$ 26,963,386	\$ 27,700,151
Earnings on investments	136,237	296,427	491,434	1,017,782
Other local sources	905,810	1,023,110	1,118,482	1,252,673
From Intermediate Sources	443,520	433,477	474,713	472,237
From State Sources	20,670,641	16,428,142	20,011,797	20,321,826
From Federal Sources	172,335	173,778	173,474	173,026
From Other Sources	1,042,240	-	-	-
Total Revenues	<u>46,793,866</u>	<u>43,396,002</u>	<u>49,233,286</u>	<u>50,937,695</u>
EXPENDITURES:				
Current:				
Instruction	26,266,906	26,823,900	27,021,462	29,068,956
Support Services	16,315,024	16,794,869	17,429,773	18,656,388
Capital Outlay	28,859	421,751	237,115	245,569
Debt Service:				
Principal	537,770	264,689	745,138	264,689
Interest	1,494,120	1,431,148	1,474,566	2,204,154
Total Expenditures	<u>44,642,679</u>	<u>45,736,357</u>	<u>46,908,054</u>	<u>50,439,756</u>
Excess of Revenues Over (Under) Expenditures	2,151,187	(2,340,355)	2,325,232	497,939
OTHER FINANCING SOURCES (USES):				
Proceeds From Issuance of Long- Term Debt	421,538	-	-	-
Transfers In	49,713	-	-	-
Transfers Out	(47,643)	(140,776)	(78,918)	(78,728)
Total Other Financing Sources (Uses)	<u>423,608</u>	<u>(140,776)</u>	<u>(78,918)</u>	<u>(78,728)</u>
Excess of Revenues Over (Under) Expenditures and Other Uses	2,574,795	(2,481,131)	2,246,314	419,211
Increase (Decrease) in Inventories	(3,949)	7,961	13,046	(41,114)
FUND BALANCE, Beginning of Year	<u>598,439</u>	<u>3,169,285</u>	<u>696,115</u>	<u>2,955,475</u>
FUND BALANCE, End of Year	<u>\$ 3,169,285</u>	<u>\$ 696,115</u>	<u>\$ 2,955,475</u>	<u>\$ 3,333,572</u>

(1) This schedule includes only revenues, expenditures, transfers and fund balances of the General Fund. Certain special education programs. This schedule has been prepared on a GAAP basis.

2008	2009	2010	2011
\$ 28,548,144	\$ 30,964,987	\$ 32,598,515	\$ 33,202,301
990,793	315,466	91,608	92,684
1,299,110	1,432,268	1,514,550	2,385,719
439,862	408,530	377,719	275,995
23,559,736	21,077,235	21,005,835	15,814,633
169,928	152,377	136,830	3,554,609
-	-	-	-
<u>55,007,573</u>	<u>54,350,863</u>	<u>55,725,057</u>	<u>55,325,941</u>
31,641,660	32,584,174	31,438,327	32,518,900
19,081,156	19,241,005	18,674,099	18,512,846
241,882	1,396,092	178,418	273,748
750,708	893,213	906,683	867,272
1,862,138	1,661,993	1,665,983	1,791,100
<u>53,577,544</u>	<u>55,776,477</u>	<u>52,863,510</u>	<u>53,963,866</u>
1,430,029	(1,425,614)	2,861,547	1,362,075
-	-	-	-
-	-	-	-
<u>(297,087)</u>	<u>(320,249)</u>	<u>(302,573)</u>	<u>(37,216)</u>
<u>(297,087)</u>	<u>(320,249)</u>	<u>(302,573)</u>	<u>(37,216)</u>
1,132,942	(1,745,863)	2,558,974	1,324,859
14,986	(3,073)	(19,244)	31,386
3,333,572	4,481,500	2,732,564	5,272,294
<u>\$ 4,481,500</u>	<u>\$ 2,732,564</u>	<u>\$ 5,272,294</u>	<u>\$ 6,628,539</u>

The General Fund accounts for the operating revenues, expenditures and transfers of the District and